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World Business Newspaper
WEDNESDAY JANUARY 24 1996

N Ireland report to reject UK stand on IRA arms handover

The international commission on Northern Ireland led by former US Senator George Mitchell (left) is

expected today to recommend all-party talks before the IRA has handed in any of its weapons – but only after Sinn Féin accepts six points of principle. The report will be seen as a call on the British government to drop its long-held stance on decommissioning prior to the start of talks and is understood to call on the IRA to begin giving up arms once negotiations begin. Page 9

Russian warning on Council: Russian president Boris Yeltsin warned western leaders that failure to admit Russia to the Council of Europe would be a serious setback for reforms. Page 3; Reform of Russia, Page 2

Fokker, the Dutch aircraft maker plunged into crisis by Daimler-Benz's withdrawal of financial support, refused to rule out the possible survival of its core aircraft building operations, either in partnership with a foreign company or with the help of bank financing. Page 15; 800 jobs at risk in Belfast, Page 9

Paris bourse plans expansion: The French stock exchange plans to offer trading screens and enhanced communication networks to institutions in the UK as part of a campaign to boost its business in other European countries. Page 14

Farnell Electronics of the UK confirmed the £1.85bn ($2.84bn) takeover of Premier Industrial Corporation of the US to create the third largest electronic component distributor in the world. Page 15; Lex, Page 14

Euro Disney, the Paris-based theme park operator, reported a drop in losses to FFr57m ($11.3m) from FFr109m for the first quarter following the group's first full-year profits of FFr114m for the 12 months to September 30. Page 18; Lex, Page 14; Films boost Walt Disney earnings, Page 16

EU drive on public transport: EU commissioner for transport Neil Kinnock outlined plans to promote better public transport systems in Europe, as part of a campaign to tackle road congestion by reducing the use of cars. Page 4

Unilever has become the world's second largest producer of industrial cleaning products with its C$780m ($569m) purchase of Diversey from The Molson Companies of Canada. Page 21

Drugs group takes implant charge: US drugs and healthcare group Bristol-Myers Squibb took a $950m charge to cover the costs of settling claims over silicone breast implants. Page 15

US spending up in November: US consumer spending rose 0.9 per cent in real terms in November, however, disappointing retail reports for the Christmas period indicate that consumer spending growth was slower last month. Page 6

Astra lifted by US result: Swedish pharmaceuticals group Astra's shares rose sharply on news that its US joint venture with Merck had boosted sales of the anti-ulcer drug, Losec, by 77 per cent in the fourth quarter of last year. Page 16

Moody's drops Japanese bank ratings: US credit rating agency Moody's lowered the long-term senior debt ratings of Sakura Bank and the Long-Term Credit Bank of Japan, two of Japan's largest banks. Page 19; Bank of Japan to keep low interest policy, Page 8

Private capital flows to Third World: Private capital could account for 90 per cent of net financial flows to the world's emerging economies this year, according to an Institute of International Finance report. Page 6

Banco Bilbao Vizcaya, the biggest Spanish banking group, announced a 16 per cent increase in attributable net profits last year from Pta72.33bn to Pta84.01bn ($672m). Page 18

Former Spanish minister indicted: Spain's Supreme Court indicted Jose Barrionuevo, a former interior minister and close associate of current prime minister Felipe Gonzalez, on charges stemming from a 1980s "dirty war" against Basque ETA rebels.

French admit nuclear test leaks: France said insignificant traces of radioactive material often leaked after its nuclear tests at Mururoa atoll in the South Pacific but denied a report that an official tried to cover up a recent leak.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,195.98	(-23.48)
NASDAQ Composite	1,028.16	(-1.28)
Europe and Far East		
CAC40	1,934.08	(-20.34)
DAX	2,384.47	(-6.06)
FT-SE 100	3,736.0	(-19.2)
Nikkei	20,080.92	(-115.61)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.107%
Long Bond	111⅞
Yield	6.053%

OTHER RATES

UK: 3-mo Interbank	6¼%	(Same)
UK: 10 yr Gilt	108½	(108½)
France: 10 yr OAT	106.63	(106.83)
Germany: 10 yr Bund	101.22	(101.28)
Japan: 10 yr JGB	111.282	(111.132)

NORTH SEA OIL (Argus)

Brent 15-day Mar	$16.88	(16.875)

GOLD

New York Comex		
(Feb)	$403.6	(403.5)
London:		
close	$403.3	(402.1)

DOLLAR

New York lunchtime		
£	1.5135	
DM	1.4985	
FFr	5.085	
SFr	1.191	
Y	105.805	
London:		
£	1.514	(1.5149)
DM	1.4773	(1.4755)
FFr	5.0580	(5.043)
SFr	1.188	(1.1868)
Y	105.82	(105.755)

STERLING

DM	2.2386	(2.2353)
Tokyo $ close:	Y 105.85	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 13.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lv136.00	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl6.50	Tunisia	Din1.750
Finland	FM15.60	Kuwait	Fils650	Portugal (mainland)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	US$1.50			UAE	Dh12.00

Granada triumphs in bitter £3.9bn fight for Forte

By Clay Harris, David Blackwell, Scheherazade Daneshkhu and William Lewis in London

Forte lost its independence yesterday after 60 years as Granada Group won a bitterly contested £3.9bn ($6bn) takeover bid for the UK hotels and restaurants company.

The result, in a bid which incurred £140m in fees and costs, marks a resounding victory for Granada, the media and leisure group, and Mr Gerry Robinson, its chief executive.

Forte's luxury hotels, including the George V in Paris, the Grosvenor House in London and the Méridien chain, will be put up for sale immediately.

But Forte's planned £1.05bn disposal of its Little Chef and Happy Eater roadside restaurants and Travelodge UK budget hotels business to Whitbread, the brewing and leisure group, will not proceed. One possible buyer for the hotels is understood to be Kohlberg Kravis Roberts, the US buy-out specialist.

The defeat was taken hard at Forte's headquarters in High Holborn, London. One adviser said:

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Background reports and takeover analysis Page 20; Lex Page 14

"There are a lot of people in tears. Don't forget that two-thirds of the Forte executive team came in in the last two years. They came in to do a job, they signed up to run this business and now they can't."

But Sir Rocco Forte, who succeeded his father as chairman in 1992, was dry-eyed and spent the afternoon going floor by floor to thank staff. He said: "I am sad that we are not to have the chance to complete the work that was under way. We have lost the bid. I do not believe that we have lost the argument."

Sir Rocco, who is likely to gross nearly £75m from shares and options, is expected to re-enter the hotels business in due course, but aides would not be drawn on his immediate plans. He is due to meet Mr Robinson today at Forte's headquarters as the management transition begins. Forte knew the battle was lost yesterday morning when Ms Carol Galley, vice-chairman of Mercury Asset Management, went in person to tell Sir Rocco the fund manager was backing the Granada bid with most of its 14.6 per cent stake.

"Carol came in at 9.15am to deliver the *coup de grâce*," an adviser said. After receiving the bad news in a five minute meeting, "he saw her out. He was a gentleman to the end".

MAM said: "Forte did put up a very strong defence and we had to make a difficult decision as to whether Granada would produce more cash returns than new Forte. We thought that new Forte could probably not do as well as Granada."

But Mr Robinson noted: "The bid would have been won without the vote of Mercury." Granada said that by yesterday evening it had counted acceptances representing 66.68 per cent of Forte shares which had been received by the 1pm deadline.

Granada shares fell 18p to 678p yesterday, Forte rose 11p to 384p and Savoy Hotel closed 7p higher at £11.40.

Bonn fears on growth may prompt jobs plan

Kohl in special session with German employers and unions

By Judy Dempsey in Bonn

The German government has scaled down its forecasts for economic growth this year and expects unemployment to rise above 10 per cent.

The forecasts, to be presented to experts on Friday by Mr Günter Rexrodt, the economics minister, could add to pressure on unions, employers and the government to agree a programme for creating jobs, cutting labour costs and introducing wage restraint to stimulate the economy.

Last night, Chancellor Helmut Kohl was holding a special session with the employers and unions to discuss proposals for wage moderation and job creation. The meeting came as the unemployment rate reached 9.9 per cent and is expected by the government to rise further in coming months.

Meanwhile, Mr Reimut Jochimsen, a Bundesbank central council member, hinted at a possible further reduction in key German interest rates, which were cut last month. He noted the central bank had reduced key rates on three occasions last year, and he said that "this might not be the end", depending on trends in money supply, which have been below Bundesbank targets.

The report setting out the government's goals says real gross domestic product will increase by about 1.5 per cent for Germany – 1 per cent in west Germany and between 4 per cent and 6 per cent in east Germany.

This time last year, economic institutes and the government confidently expected GDP in 1996 to grow by between 2.5 per cent and 3 per cent overall, but the government was forced to reduce these forecasts, and earlier this month Mr Rexrodt was predicting growth of about 2 per cent.

"These figures are disappointing, especially in the east, where unemployment is rising again," a government official said. The government expects west German unemployment to hover between 8.5 per cent and 9 per cent, compared with last year's 8.3 per cent. But in the east, the rate will jump from 14 per cent in 1995 to about 15.5 per cent this year.

Many economists still believe the government's expectations are too high. "We always believed its previous forecasts for 1996 were too optimistic," said Mr Holger Fahrinkrug, economist at UBS. "We still think the government's aim of achieving an overall growth of about 1.5 per cent is too high. We are expecting 1 per cent." He said it was highly unlikely the government would this year meet the Maastricht cri-

Continued on Page 14

Amir denies aiming to kill

Yigal Amir, above left, the 25-year-old Israeli accused of killing prime minister Yitzhak Rabin admitted in court that he pulled the trigger but said it was "nothing personal". Amir, charged with premeditated murder, denied that he had intended to kill the Israeli leader when he shot him twice in the back at a Tel Aviv peace rally on November 4. Picture: Reuter

Amex accuses Visa of trying to limit rivals

By Emma Tucker in Brussels and Richard Waters in New York

Two of the world's leading credit card issuers went into battle yesterday after American Express accused Visa International of attempting to stop banks that issue Visa cards from offering rival "Amex" cards.

American Express lodged a complaint with the European Commission, arguing that Visa's proposed action to limit the issue of competitor cards would violate EU laws on restrictive practices and limit consumer choice.

The controversy has arisen over a proposed change to Visa's internal rulebook that would force banks to exclude Amex cards from the range of products offered to customers. The proposal is likely to be on the agenda at the next Visa board meeting in March.

Visa, a membership organisation owned and operated by member banks worldwide, said it would not implement a change that would contravene EU law. However, it said it was necessary to "safeguard the collective investment which our 19,000 member banks have made in building an effective international payment card system".

Mr Jürgen Aumüller, president of American Express, Europe, claimed that "Visa is attempting to eliminate competition in the card marketplace".

"If allowed to go unchecked, there will be nothing to prevent Visa's abusive practices from giving Visa further control over distribution in the European card system," he said.

Although Amex currently markets most of its cards directly, it has recently embarked on a strategy to include banks in the distribution of its cards.

In the past 18 months, the company has courted banks around the world in an effort to expand the number of its cards in use outside the US. Banks in Israel and South Korea as well as two European banks – Banco Comercial Portugues and Alpha Credit Bank – issue American Express cards through joint ventures.

Visa was "surprised" by the filing of the complaint with the Commission.

"We are considering ways of allowing banks to be competitive by offering consumers whatever payment cards they wish, while ensuring that competitors cannot enjoy a free ride on 20 years of international co-operation and investment," Visa said.

A rule similar to the one being proposed by Visa in Europe already exists in the US. However, American Express said there were no plans to challenge it there, as the company had adequate channels to issue and promote the card.

Yesterday Europay International, the company which licenses Mastercard in Europe, said it had different philosophy to Visa. "We think banks should be able to choose which products they offer to card holders. It is a free market," he said.

AT&T aims for $1bn-a-year share of UK telecoms market

By Alan Cane in London

AT&T, the largest US telecommunications operator, is planning head-on competition in the UK business market with Mercury Communications and an eventual assault on the residential market dominated by British Telecommunications.

Its aim is to secure revenues of $1bn a year in Britain by the turn of the century.

Unveiling its strategy yesterday, it said it would initially offer a range of "intelligent" network services to large and medium-sized businesses which provide international operators with most of their revenues.

This represents an immediate threat to Mercury Communications, the second largest UK operator, and to the handful of other licensed operators which derive most of their revenues from the business market.

Mr Robert Allen, AT&T chairman, said the attack on the UK market was "the first time we have done anything like this anywhere in the world".

He said: "We are here for the long term. This is not simply an opportunistic idea."

The UK is the first country outside the US where AT&T has acquired a licence, installed facilities and started to offer services.

AT&T already offers a range of data transmission services in the UK for which it has more than 200 customers.

It is able to compete on a broad front with BT and other telecoms operators because of the openness of the UK market. It was granted a full operator's licence just over a year ago.

With revenues of about $80bn last year, AT&T is a giant among US telecoms operators. It has, however, proved comparatively unsuccessful in Europe in the provision of both telecoms hardware and services.

Last year, Mr Allen masterminded the split-up of the company into three independent units, the core telecoms services operation, the hardware business and a computer company.

AT&T has a strategic alliance with Unisource, a joint venture between four European telecoms operators, called UniWorld. The alliance has still to win the blessing of the Brussels competition authorities.

Mr Allen said yesterday he had no indication when a decision might be announced.

AT&T said it did not plan to compete on price in the UK but by forming partnerships with its customers it could offer a consultative approach, flexibility and choice.

Its principal competition in the battle for large multinational customers is Concert, a joint venture between BT and MCI of the US, and Phoenix, a joint venture between Sprint of the US, Deutsche Telekom and France Télécom.

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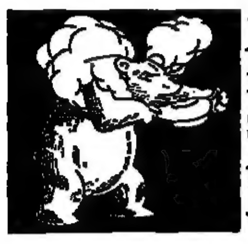
ANALYSIS: RUSSIA

The reform of Russia: for worse, for better



John Lloyd, the FT's Moscow correspondent for five years, reported the collapse of the Soviet era and the start of reforms which left the Russian people freer but poorer. Now, with Chechnya in flames, the economy stumbling, corruption rife and fears of a communist victory in June's presidential election, he assesses the former superpower's prospects as it struggles to escape its past.

Thirteen months have passed since President Boris Yeltsin sent the Russian army to crush a three-year rebellion in the southern republic of Chechnya, a rebellion by a gangster regime which no civilised state could tolerate. Now, the uncivilised methods used in the effort to suppress it, and a mixture of incompetence and division over policy in Moscow, have turned the Chechen crisis into a crisis for Russia.

It is a tragedy for the Chechens. And it is a tragedy for the Russians, and it may yet be a crisis for the remaining hopes for reform. The confrontation has driven to the right a government and president already forced to bend before the voters' harsh judgment last month.

Now, poised between the swing to communists and nationalists in the December parliamentary elections and the very large stakes looming in the June presidential elections, it is urgent that we clarify what we think of the state of Russia. And that can only start with the recognition that so much has changed for the better in the past decade.

A simple test: is it now likely that Russian authorities would jail a man who calls for democratic reforms? That they would punish nations which gave sanctuary to one of their critics?

These expressions fit authoritarian states such as China, Saudi Arabia and Nigeria. Russia is not of their number – though it *was* within the past ten years, and gave succour and a political and moral rationale to many who acted likewise. If its rulers do not wholly trust their citizens, at least they have been constrained, or have persuaded themselves, to treat them as citizens, as people with a potential stake in a potential society.

More than 40 parties sought, last month, to win seats in a 450-member parliament. Too many for sensible political choice? Yes, for those who are used to choosing between two or three leviathans slugging it out for the centre ground. But a democrat cannot much object a choice covering a spectrum from anarchist and Stalinist left, to authoritarian and liberal right. Dozens of newspapers and magazines propagandise and exhort every day – too many for rational analysis of the issues? Yes, for those accustomed to a judicious and commercially constrained press, but a pluralist can see little wrong in such a marketplace of views and voices. Neither the party system, nor the press, lacks problems and failings; but neither is under threat of extinction, or even of substantial curtailment.

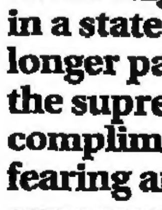
Talking and writing are no longer dangerous pursuits. Travel is limited by the purse, not by the police. The transmission of information is limited by habit, not (usually) by decree. A host of taboo issues have been opened to public debate: the death penalty, the treatment of women, rights of homosexuals, care of the mentally sick, the need for national service and the persistence of racism. By liberal standards, the situation in all of these is worse than in the rich states. But that is more often because Russia is relatively poor than because it is politically totalitarian.

The economy will, this year, probably grow. It has a long way to grow before it recovers the losses of the horrible years from 1989, when it began (officially) to go into rapid fall. In 1992, the economy contracted by 19 per cent and by another 12 per cent in 1993, according to the OECD. The fall has not been as devastating as the figures suggest, nor the decline of living standards as catastrophic. But there is no doubt that there has been shock and a prolonged sense of misery. Yet, from this year, barring political adventurism or unforeseeable disasters, there should be a little, then an accelerating, sense of betterment. The government has not relaxed its rigorous monetary policy in order to tempt the voters to elect the liberals. Inflation, 3.2 per cent last month, remains lower than it has been since serious reforms began four years ago. Trade remains comfortably in surplus. The central bank is no longer pursuing a course opposite to that of the finance and economic ministries. All's well with the world? Of course not. But it is no longer all wrong.

Four years of a liberal, if erratic, economic policy have allowed a class of business people – already visible in the Gorbachev years, and encouraged even then – to become part of the landscape. They are mostly unlovely: grasping, conspicuous, surrounded by muscle and weaponry, their business practices unethical by the most lax of standards and their relationships with government officials necessarily corrupt. But they are increasingly obliged to come to grips with both the domestic and international market, in which demand and choice play larger parts of their daily calculations and strategies. The era of primitive acquisition is not yet over, but it begins to give way to a period in which corporate governance, the need to invest and the development of stable institutions and regulations are recognised as the next challenges.

The great motors of mass consumption and the mass media, which churn over a widening range of the world's societies, fragmenting and reassembling them ceaselessly and feverishly, are beginning to work in Russia. It is neither a consumer society nor a society overwhelmed by media hype, but these germs have entered the social body, and will not be easily countered. Such societies do not resolve all tensions. On the contrary, they create new fields of conflict which shape their politics and economic character. But they tend, over time, to be hostile to wars and the mobilisation of aggression.

It is true that those who scorn the new Russia – including the communists and nationalists who did well at the polls last month – have many good tunes to play. Russia is a very reduced power, as the agony of its engagement in Chechnya makes clear. But in being confined to cramped borders, cut off from large stretches of the Baltic and the Black Seas, unbuffered by allies in central Europe, it has been required to come to terms with its own and others' national identities in ways it never bothered to do before. It is one thing to claim, as many Russians do, that it is absurd that Ukraine and Belarus are separate nations, and that the 25m Russians living outside of the new Russia's borders should still be citizens. It is another to think of something to do about it which is not self-defeating.



Russia's citizens have the problem of finding a place in a state which no longer pays them the supreme compliment of fearing and suppressing them when they try to tell the truth.

The members of the Commonwealth of Independent States are artificial nations, say the Russian nationalists; but which nation is not an artifice, with some merely more time-hallowed than others?

Living within its borders, defining itself, is the task before Russia. The great stream of Russia's culture was partly destroyed (especially its religion), partly co-opted, by the communists. Where co-opted, the communists successfully remoulded the institutions and traditions to conform with their ideological preferences. They preserved and even enhanced the arts, so that ballet and musical performance in particular remained pre-eminent; they encouraged the natural sciences and created world class nuclear physicists and mathematicians; they promoted and funded sport so that Russians were always among the fastest, or most graceful, or most competitive in the world. The vigour and longevity of totalitarian rule produced responses of outstanding courage and clarity: the suffering beauty of poet Anna Akhmatova, for instance, the stubborn bearing of witness of Alexander Solzhenitsyn, the patient and engaged humanism of Andrei Sakharov – and the bravery and fidelity of millions less famed, whose memory these three and others, in their different ways, preserved as moral examples to all.

Of course, the stakes seem less heroic now, both in the old, building-of-socialism sense and in the opposition to it. They are humanised. No place any more for the prophet, secular or holy, whose example and faith are required to lighten the darkness. New generations see no sense in such heroics: those in their teens, even in their twenties, have dimmed memories of a totalitarian state, much dimmer than their sharp desire for an Italian bedroom suite or a CD-ROM. Artists, writers and artists of the older generations regret the good old days when there was a common warm feeling of being opposed to and superior to the System: they now feel lost without it. But their successors have the task of engaging with a society not of stereotypes (either communist or anti-communist) but of human and social fragments. They have in common with their counterparts abroad the problem of finding a place in a state which no longer pays them the supreme compliment of fearing and suppressing them when they try to tell the truth. No longer obliged to support the myth if obedient, or to oppose it if dissident, they must simply come to terms with what they understand to be reality.

But the question must be: is reality too much for Russia? It is so much better now by western standards, and by those of a minority of the Russian population. The advances in human rights and freedoms: the development of democratic and market institutions; the freedom of speech. All of these are either reviled as shams by the resurgent political forces and parties, or held on an increasingly tight leash by a presidential administration more ambiguous about its aims and purposes than it has been since 1991.

The old Russia did live by myths, much more so than most nations. The gap between the myth and reality became too wide for the weakening forces of repression to close – and the system collapsed. But the reality which has resulted is terribly harsh. Harsh in a physical sense, but also in a psychological one. It is, apparently, the psychological hardship of coping with a disorienting post-Soviet universe which has reduced the average male mortality age to 59 (compared to 74 in Britain).

Much of the past four years of economic change had been preparation for large tasks just begun. Though unemployment is rising, rapidly in some areas, it is still below west European levels, but won't be for long. Huge plants have yet to shed workers, though they have shed work. Whole cities in the far north, sustained as in the past by large subsidies, have little work for their citizens and are populated only because their inhabitants have nowhere else to go. Management, many with virtual title to the plants through privatisation programmes, have done little to change their practices and products. And the institutional investors, mainly the banks, have yet to face up to the challenge of forcing them to change. The trade balance is healthy because oil and gas still make up the bulk (41 per cent) of exports and little of the capital equipment which would be required for a sustained recovery is being imported. But oil production continues to fall, while investment in that sector is still far too small to reverse the trend. Foreign investors would like to be part of that, but continue to be rebuffed. The paltry amounts they have put into a giant economy show they are preoccupied by the uncertainties in the law, taxes and government.

Even the largest achievement is a danger. The reformers still in government point to the macroeconomic successes. Reformers out of government agonise that the cuts they have made to public spending to bring down the budget deficit to International Monetary Fund-approved levels will degrade the health and education services and the public infrastructure to levels from which it will be very hard to recover. One of the largest drains of public money is agriculture. Despite four years of radical reform, the land is still farmed in the same wasteful, slovenly way it has been for decades, while pioneering private farmers, those who have survived, find it harder to preserve their smallholdings from the surrounding hostility of collectivised peasants.

The Russian working class voted last month for the Soviet Union they had lost. It may be they know they have lost it for ever, and merely wish to punish the authorities while recognising there is no other option. However, it may also be that they think nothing of the sort, and believe the country should be set to rights by a strong hand and will vote communist again in the much more important election, for the presidency, in June. To counter that, the benefits of an improving economy had better come through good and strong. That is not likely, with the ruinous Chechen war still to pay for.

Russia is indeed limited, constrained and cramped; by the new states all about it, which include the three small Baltic countries whose rhetoric and sometimes

However well Russia's rulers might strive to govern (and sometimes they do not strive all that well), they are faced with a large absence where a national consensus should be.

actions are at best cold; by its former allies in central Europe who are vociferously suspicious of it; by the rich states of the west and the east which are weary of trying to help Russia and are no longer inclined to be over-helpful; and especially by the US, now the undisputed single superpower and hurtful to national pride because of that.

No surprise that the battered westerniser Andrei Kozyrev was replaced as foreign minister by the wily foreign intelligence chief and Gorbachev-era survivor Yevgeny Primakov: well enough known in and not over-feared by Washington, he has nevertheless been put in the Stalinesque tower which houses the foreign ministry (still with the hammer and sickle embedded into its facade). He will make growling noises at those states which irritate Russia's frayed nerves – and woo or chivvy back into the Russian fold those in the CIS amenable to persuasion or bullying.

General Pavel Grachev, the defence minister, went to Ukraine this month to do some growling of his own about the iniquity of the Start I and Start II nuclear disarmament agreements which Russia has signed. US officials say that all real progress on disarmament has stalled. Should this go beyond growling, the uneasy joviality which still surrounds the US-Russian relationship would freeze over. The language of confrontation, with which many on both sides still feel comfortable, would be back. And there would be the heart-wrenching threats of a cold war less stable than the old one.

Imagine, say those Russians who still wish to have a dialogue with the west, what *you* (a US citizen) would feel if the central American states acquired strongly anti-US governments. If Canada began disenfranchising all on its territory who had US ancestry, your gross domestic product was dropping through the floor, your allies were joining the Warsaw Pact, and the native Americans had claimed the oil wells and were paying no tax on their output? And if the presidents of Chase Manhattan and BankAmerica were assassinated (possibly by each other's bodyguards), Arkansas had declared independence and was paying for it by drug-running and arms dealing... and so on. Uneasy, perhaps?

The parallel may be overdrawn, but it expresses something of the dilemma which unites the Russian people and rulers. It is that, however well the latter might strive to govern (and sometimes they do not strive all that well), they are faced with a large absence where a national consensus should be. There is no agreement as to the borders of the state. There is no agreement as to the fundamental bases of its polity. There is no agreement as to the ground rules of its economy, no agreement as to who should be its friends, and who its enemies.

In this vacuum, the features of a constitutional, democratic liberal state float above, rather than are embedded within, the nation. The constitution is long and full of many good things, but it is most bitterly attacked by those parties which did best in the December elections. It is hardly seen by the citizens as their shield against an authority which, if less arbitrary than the communist one, is more overtly corrupt. The parties are free to organise and to be elected, but their hold on the national life of the country is weak. The very meaning of Russia itself, which had always had some overarching mission, has disappeared, to be replaced with no agreed concept. Orthodox Christianity, suppressed and corrupted by communism, has revived more in form than in content. Spiritual hunger is filled by charlatanism and obscurantism.

Half a decade ago, we interpreted the events in the Soviet Union as a triumph and a liberation. We have all kinds of vested interests in clinging to that interpretation, even as a growing chorus dismisses such a posture as wishful thinking and naive. Should another reality – which recognises that reaction is already present, that repression already operates, that hostilities have already begun, take its place?

No. Russia is no more doomed to reduplicate for ever an authoritarian past than is Chile or Japan. Mikhail Gorbachev and Boris Yeltsin, though neither would wish to see himself so coupled, have unwittingly conspired to throw open their country in a way none of its rulers had before – in explicit freedom and in friendship. The world all about Russia has broken into it, and Russia has broken out into the world which surrounds it with a vigour and an appetite hitherto limited to the aristocratic elite. The pains of each adjusting to the other are very large, most of all in Russia, the more because they have been so suddenly and so unexpectedly felt. But we cannot now "lose Russia" any more than Russia can lose us. It has become, already, part of us and we of it.

EUROPEAN NEWS DIGEST

Çiller offers to share PM post

Mrs Tansu Çiller, Turkey's caretaker prime minister, yesterday offered to rotate the post with her rival, Mr Mesut Yilmaz, leader of the conservative Motherland party, in an effort to form a coalition after December's inconclusive general elections.

Mr Yilmaz was non-committal and promised to give his answer by Saturday.

The Turkish media proposed a rotating premiership after December's elections gave no party a majority in parliament. Previous attempts to form an alliance between Mrs Çiller's conservative True Path party and Motherland failed. Neither party has explained how the rotating premiership would work. Although both hold almost the same number of seats in parliament, a coalition would still muster only 268 seats, eight short of a majority. The Islamist Refah party has the most MPs, but last week gave up trying to form a coalition with a secular party.

Political commentators expect coalition talks to continue making slow progress, even though Turkey has been without a government for a month. *John Barham, Ankara*

Czechs apply to join the EU

The Czech Republic yesterday applied to join the European Union. Prime Minister Václav Klaus submitted the country's application to his Italian counterpart, Mr Lamberto Dini, during a visit to Rome.

Italy currently holds the rotating EU presidency. In a statement announcing the application the government in Prague described it as "an event of unparalleled historical importance", and said it was committed to economic liberalisation and European integration.

Mr Klaus has stressed the importance of beginning the process of EU expansion, although no firm date has been fixed for when the first group of central European countries will join. The government believes the Czech Republic is at the head of the queue of new members, given its record of economic reforms. Mr Klaus has also spoken of creating "a Velvet Revolution in Brussels". In a recent interview he said the Czech Republic wanted to see a Europe of nation states rather than the federal Europe being promoted by some member states. *Vincent Boland, Prague*

EU to get tough on veal crates

The European Commission is today expected to agree proposals for tough new restrictions on the use of veal crates for rearing calves, with an eventual ban on the practice by 2008.

The proposals, which follow intense campaigning by British and other animal rights groups, are expected to run into fierce opposition from veal-producing countries, notably France and Italy, when they are considered by agriculture ministers. "It will be a long and difficult negotiation," an EU official said.

The proposals, tabled by Mr Franz Fischler, the commissioner for agriculture, will include a ban on building new crates or refurbishing existing ones after 1998 for calves over eight weeks. New pen sizes will also be proposed to allow enough space for calves to turn round and lie down with their legs stretched out.

Commission proposals for a ban on crates, tabled in 1989, were watered down by agriculture ministers. The eventual 1991 directive on protection of calves set minimum standards but fell short of a ban. *Caroline Southey, Brussels*

Spanish ex-minister faces charge

A Spanish supreme court judge is expected to issue formal charges today against former Socialist interior minister José Barrionuevo for alleged complicity in a kidnapping in the south of France in 1983.

The move, the latest development in the so-called Gal case over a "dirty war" against suspected Basque terrorists, comes as a further serious embarrassment to the government of Mr Felipe González, facing elections in less than six weeks.

It comes after a decision by Socialist organisers in the Madrid region to include Mr Barrionuevo in the party's list for the election, despite the accusations against him. Judge Eduardo Moner set bail of Pta15m ($120,000) for Mr Barrionuevo earlier this month after former government and party officials accused him of authorising the detention of a man who had been captured by mistake in an operation against a suspected member of Eta, the Basque separatist organisation. *David White, Madrid*

Internet beats French book ban

The memoirs of the long-standing doctor to former French President François Mitterrand were yesterday evening released on to the Internet computer-based information network.

The action circumvents the ruling from a Paris court last week that *The Great Secret*, written by Dr Claude Gubler, should be withdrawn from sale less than two days after it was released because it marked an invasion of privacy of the late president's family.

Plon, the publisher, has appealed the legal judgment, but also yesterday condemned the unauthorised distribution of its book on the Internet.

Mr Pascal Barbraud, head of computers in an Internet café in the town of Besançon, has evaded the ruling by computer-scanning the book. "We find this ban ridiculous ... we are not in a banana republic," he said. *Andrew Jack, Paris*

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Yeltsin raises the stakes for Council of Europe

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday raised the political stakes for tomorrow's meeting of the Council of Europe, warning western leaders that failure to admit Russia would be a serious setback for reforms.

At home, Mr Yeltsin's claim to be the leader of Russia's democratic reforms came under fire this week as some of the country's most prominent liberal politicians publicly severed their ties with the president following a hard-line cabinet shuffle and a stepped-up offensive against separatists in the break-away Chechen republic.

But with characteristic boldness, Mr Yeltsin yesterday told European leaders that rejecting Russia's application for membership at tomorrow's session of the Council of Europe would mean a rejection of Russian democracy.

In a public statement, Mr Yeltsin insisted that a refusal to admit Russia "would be interpreted as a refusal to support those who are fighting for democratic principles and democratic institutions in Russia".

The Russian president has regularly countered western criticism of his policies with the warning that, objectionable though some of his actions might be, Mr Yeltsin is preferable to his communist and nationalist opponents. Yesterday's statement implicitly repeats this contention, but, in view of the political shifts in Russia over the past few weeks, it could be a dangerous gamble for the president.

Mr Yeltsin's public appeal is likely to transform the decision of the Council of Europe, a largely symbolic body which has already admitted many former Communist states, into a high-profile test of the west's faith in Mr Yeltsin's government.

The Council suspended Russia's application for membership for seven months last year, in protest at Moscow's brutal effort to subdue Chechen separatists. The assembly lifted the ban last September after a tentative ceasefire had been agreed between Russian forces and Chechen rebels.

But Russia intensified its attack on Chechen separatists this month and Mr Yeltsin yesterday reaffirmed his commitment to take a hard line in the breakaway region.

In a speech to the upper house of parliament, Mr Yeltsin vowed that the Russian government would continue a policy of "tough suppression of bandit and terrorist bases and the liquidation of armed gangs and gang leaders".

He made no apology for this uncompromising stance in his appeal to the Council of Europe. Instead, he warned European politicians that failure to admit Russia to the assembly would offer tacit support "to those who seek to resolve the Chechen problem with savage, terrorist methods".

Mr Yeltsin's gambit has already won the backing of some European leaders. On a visit to Moscow this week, Mr Hervé de Charette, the French foreign minister, said he hoped the Council of Europe would vote to admit Russia.

But the Kremlin's severe policy in Chechnya yesterday brought down a new hail of attacks from domestic critics. Mr Gregory Yavlinsky, whose Yabloko party is one of the main blocs in parliament, began collecting signatures for a motion of no confidence in the government.

A Chechen rebel commander who escaped the siege village of Pervomaiskoye said yesterday he was ready for a 10-year fight against Russian and would never submit to Moscow, Reuter reports from Moscow. Salman Raduyev, who had led a band of more than 200 fighters in a cross-border raid into Russia's Dagestan region, was speaking as Chechen rebels delayed plans to free up to 50 civilian captives.

Dilemma on Bosnian war crimes

By Laura Silber in Belgrade and Bruce Clark in London


Milosevic: has assumed unlikely role of war crimes investigator

Serbia's President Slobodan Milosevic and the western governments with troops in former Yugoslavia have become uneasy partners in the grisly enterprise of searching for mass graves, and evidence of war crimes, in Bosnia.

This odd partnership was underlined last weekend when Mr John Shattuck, the US human rights envoy, toured the area of Srebrenica, where thousands of Moslems are believed to have been killed by the Serb forces who took the town last July.

Mr Milosevic assured Mr Shattuck he could go anywhere he liked, and gave him an escort of Serbian security men. Diplomats say the policemen appeared keen to help, and did not object when the US team made frequent changes of itinerary.

Mr Shattuck, in Sarajevo yesterday for talks with Bosnia's Moslem-led government, disclosed that he had received promises of help on other fronts from the Serbian leader. In particular, Mr Milosevic had promised to press the Bosnian Serbs, his erstwhile protégés, to release all remaining Moslem prisoners.

This promise, combined with US threats to hold back economic and military aid, helped convince a reluctant Bosnian government to promise further releases of Serb prisoners in accordance with the Dayton peace agreement.

But the prominence of Mr Milosevic, particularly in the unlikely role as co-investigator of war crimes, has placed the US government in a dilemma familiar to all governments which have tried regulating the conflict in ex-Yugoslavia.

As a regional policeman, Mr Milosevic may still be indispensable, but open co-operation with the original instigator of nationalist hatred in Yugoslavia could appear to compromise Nato's moral purpose.

Nato's civilian institutions have been sensitive in recent days to charges that the Bosnia mission is not living up to its own ideals.

In practice, diplomats say, this means that western military commanders have been firmly told by their civilian bosses that they must pay attention – and be seen to pay attention – to mass graves and evidence of war crimes.

Nato officers initially stressed, when the issue of mass graves resurfaced in the media two weeks ago, that neither the protection of such sites, nor gathering data about them, lay within their formal remit.

Since then, under strong pressure from Nato governments and public opinion, the alliance has sent a different message: investigators from the International War Crimes Tribunal (IWCT) will be escorted to alleged mass graves by Nato troops, and Nato will also provide aerial surveillance.

Apart from underlining Nato's moral purpose, the gathering of detailed information about war crimes, which could form the basis of further indictments at the IWCT, has proved to be a vital source of leverage over all the Bosnian factions. In the words of one western diplomat, the steady release of information about mass graves will "maintain pressure on the (Bosnian) Serbs and show the (Bosnian) Moslems that justice will be done".

Mr Michael Portillo, UK defence minister, said yesterday he accepted US proposals to arm and train Bosnia's Moslem-led army, as long as Nato forces there did not get involved, our Foreign Staff write.

On a visit to Washington, Mr Portillo said that "a lot has moved on" since the time when Britain opposed military help to the Bosnian government on grounds that it would fuel the war and endanger UK peacekeepers.

"I accept that arming and training of the Bosnian Moslems will be necessary too," said the minister, while adding that any assistance programme must be "at arm's length" from Nato's peace implementation force.

Ukraine 'diverted' Chernobyl funds

By Matthew Kaminski in Kiev

The pressure group representing victims of the Chernobyl nuclear accident has accused the Ukrainian government of diverting money from a fund set up to help those who suffered when a reactor exploded in April 1986.

The Ukrainian Chernobyl Union, set up in 1991 and claiming 420,000 members, says that the government diverted 12,000bn karbovanets ($60m) to cash-strapped government programmes, and that many of the 3.5m beneficiaries of the fund were not paid the compensation, early pensions and special medical care to which they were entitled.

It is also warning that the level of benefits was being threatened by proposed budget cuts in 1996.

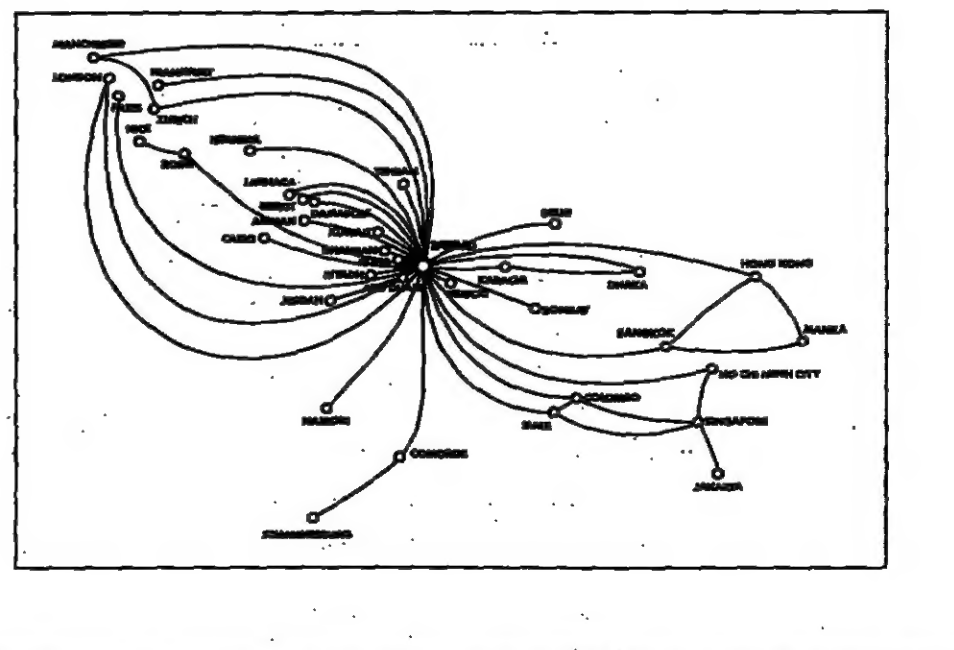
Chernobyl victims have been an almost sacrosanct lobby group in a country physically and emotionally scarred by the accident. The group's complaints are echoed by many trade unions and pensioners who say that entitlements are sometimes paid late and often not at all.

Mr Yuriy Andreyev, president of the Chernobyl Union, has alleged that a pay rise for the armed forces in November was underwritten by 8,000bn karbovanets from the fund, with a further 4,000bn karbovanets taken to help resettle Crimean Tatars and cover the Russian gas import bill.

"When the army is angry, the government trembles," he said. "No one notices the Chernobyl sick."

Among the 3.5m victims are 350,000 who lived and worked in the Chernobyl zone after the accident, including those who put out the fire and sealed the stricken reactor, 120,000 people who were resettled and 900,000 children exposed to radiation.

Mr Andreyev says the Chernobyl Union has had no response from the Kiev government to its appeals to replenish the fund, which was supposed to receive 117,000bn karbovanets from the government last year. Mr Volodymyr Holosha, minister for Chernobyl, said mistakes had been made, which he attributed to bookkeeping problems, but said all benefits would be paid.



Uncertainty could derail monetary union, Europe's financial establishment warns

Banks appeal for news on Emu schedule

By Lionel Barber and George Graham in Brussels

Leading European bankers yesterday appealed to EU political leaders to give a convincing signal that the single currency would be launched on schedule on January 1 1999.

Amid creeping doubts about the feasibility of the European monetary union timetable, notably in France and Germany, members of Europe's financial establishment warned that further uncertainty could derail union.

Their warning came at a European Commission-sponsored conference in Brussels aimed at laying the groundwork for a future campaign to sell the Euro, the planned single currency, to a sometimes sceptical public.

Mr François Perigot, head of Unice, the European employers federation, said it was no time to be faint-hearted. "We must not hesitate. There is no point in debating things that have already been decided."

Mr Pierre Simon, executive at Compagnie Bancaire, the French financial services group, said European banks would have to start investing heavily 18 months before they knew which countries will join Emu, most likely in early 1998.

"We face a political risk. The public authorities need to answer the questions that will define monetary union," he said.

Despite fears that the conference would degenerate into a talking shop, Commission officials said a clear message had emerged in favour of stepping up the pace of communication, first to the banking sector and then to the consumer.

The Commission set up the conference to keep up Emu momentum after last month's EU summit, which agreed on a phased switchover to the Euro between 1999 and 2002.

But the economic slowdown in Europe has cast doubt on the Emu timetable, amid signs that the debate on the single currency is becoming more contentious. Several speakers said there was a risk of giving the impression that monetary union can only be achieved at the price of deflation and rising unemployment.

Last Monday night, Mr Jean-Luc Dehaene, Belgium's prime minister, gave a veiled warning to the German Bundesbank that the fight against inflation could be taken too far.

"Nobody has anything to gain by a monetary overkill... Today, inflation in many countries is under control or de facto non-existing. A policy of competitive disinflation may at some time be as disruptive as a policy of competitive devaluation."

Mr Jacques Delors, former president of the European Commission, called for greater attention to employment in the Emu project. It had been a mistake to leave out employment criteria and focus solely on inflation, budget deficit reduction and exchange rate stability in the Maastricht treaty's provisions for Emu.

Consumer groups represented at the Brussels conference called for reassurance that prices would not be "rounded up" once national currencies were replaced by the Euro.

Bankers said it was vital to have greater clarity on the continuity of savings and mortgage contracts after the changeover.

But they also expressed worries that the Commission and the European Monetary Institute – the precursor of a European Central Bank – would pressure financial institutions to use the Euro in the transition phase between 1999 and 2002.

Under the scenario agreed at the Madrid summit last month, the ECB will conduct a single monetary policy among countries participating in Emu. The Commission hopes that the bulk of interbank transactions will take place in Euro, but Euro-notes and coins will not be available to the consumer until mid-2002.

Paris ministers cooler on plan for new tax

By David Buchan in Paris

The French government yesterday softened its commitment to tax France's generous system of family allowances for the first time, in another apparent retreat on its controversial welfare reforms that have taken a battering from unions, lobbies and its own backbenchers.

Taken together, the government's tactical swerves in recent days risk undermining its goal of reducing the welfare system's deficit from FFr61bn ($12.3bn) last year to FFr17bn this year and turning it into a FFr11bn surplus next year.

This planned turnaround is considered essential to the government's strategy of bringing the overall public deficits down to 3 per cent of national output by 1997 in time to qualify as a founder-member of the European single currency.

Last November Mr Alain Juppé, prime minister, proposed to start levying tax next year on this year's family allowances – a form of state benefit geared to families with children – to raise an extra FFr3bn net.

Yesterday ministers indicated that the tax plan would still go ahead if it won union support at a "social summit" on family policy this spring. But yesterday, the CFTC union, the one federation largely absent from December's anti-government strikes, repeated its opposition to the plan.

Even in the unlikely event of union acquiescence, it might have to await the general overhaul of French taxes now postponed until later this year or next. Mr Jacques Barrot, the social affairs minister, claimed yesterday the taxing of family allowances "is not being abandoned, but merely spread out over time".

Mr Juppé himself told the National Assembly he was concerned that taxing allowances might bring poorer households into the income tax net – at present covering only half of French households – and admitted he could only prevent this by raising tax thresholds in the context of a general fiscal reform.

Last week, Mr Juppé gave in to pressure from doctors by abandoning a FFr1 increase on each prescription and by agreeing to pay a FFr1.4bn increase in doctors' own social security charges into a medical retraining fund rather than to help plug the health insurance deficit.

All these latest concessions have an immediate price tag, in contrast to Mr Juppé's more spectacular December retreat on his plans to reform public sector pensions whose financial impact would only have been felt over several years.

Mr Juppé's deficit-cutting strategy is also under pressure from many of his backbenchers, who are against the so-called RDS levy to repay past welfare debt, and from the need to take new measures to boost flagging growth.

These measures, expected to include more incentives for house-building, consumer spending and small businesses, are likely to be announced next week, in tandem with separate measures by the German government to give them at least an aura of trans-Rhine co-ordination in the face of a common economic slowdown.

Polish premier set to resign over KGB links

By Anthony Robinson and Christopher Bobinski in Warsaw

Mr Jozef Oleksy, the Polish prime minister, looks likely to resign whatever the decision of the Polish military prosecutor today on whether he should be investigated over his friendship with a senior KGB officer.

Mr Oleksy has already conceded that continuing his friendship with Mr Volodya Alganov, a Soviet diplomat, after he had been advised by the Polish security forces that his friend was a senior KGB officer, was unwise. But he argued that his friendship was harmless and the affair had been raised by Mr Lech Walesa, the outgoing president, and his interior minister as revenge for losing the presidential election last month.

However, initial support for the embattled prime minister from the new president, Mr Alexander Kwasniewski, and senior members of the ruling Democratic Left Alliance (SLD) appears to have waned in the face of increasing public disquiet over the accusations and a determined effort by the opposition to bring down the SLD and Peasant party (PSL) coalition government.

Mr Leszek Balcerowicz, leader of the Freedom Union (UW), the former Solidarity party, has been trying to detach the PSL from alliance with the SLD and form a new centre-right coalition which would push Mr Oleksy's party into opposition and isolate Mr Kwasniewski, who like his prime minister is a former communist.

This offer from the opposition has strengthened the hand of Mr Waldemar Pawlak, the Peasant party leader, who has been trying to ensure Mr Oleksy is replaced by a prime minister from his own party and reinforce its power within the coalition. Failing such an agreement, Mr Pawlak signalled yesterday that he was ready to enter formal talks with the Freedom Union about forming a new coalition or face early elections.

The SLD is resisting these demands, confident in opinion polls which indicate that neither the party nor the coalition government has yet suffered from the crisis over Mr Oleksy.

To contain potential damage and prevent the need for a disruptive early general election campaign it is taking soundings about a possible replacement for Mr Oleksy from within its own ranks.

Meanwhile, Mr Oleksy continues to protest his innocence. The military prosecutor gave the Polish security forces a month to find the additional evidence required before deciding whether go ahead with any formal investigation of the charges.

He is expected to announce his decision today.

Yesterday Mr Grzegorz Kolodko, the non-party finance minister, urged Poland's politicians to find a quick solution to the crisis without the need for elections which, he fears, would disrupt plans for a radical reconstruction of the social security system and a recently approved budget which limits the budget deficit to 2.8 per cent of GDP.

Irish budget programme for welfare spending

By John Murray Brown in Dublin

The Irish government yesterday launched a programme of social welfare spending aimed at the long-term unemployed in its 1996 budget, ignoring business appeals to curb spending.

With the economy growing at 5.5 per cent in 1995, faster than any other EU country, the three-party ruling coalition used unexpectedly high tax returns for 1995 and lower debt service payments to target the low-paid and jobless.

Ireland is one of the biggest spenders on active labour programmes in the Organisation for Economic and Co-operation and Development,

The measures include a recruitment subsidy for employers to take on up to 5,000 people who have been out of work for three years or more. Those taking work will retain their right to free prescriptions and other medical benefits for three years after taking up employment. Other measures include higher allowances for children and those living alone.

Mr Charlie McCreevy, opposition Fianna Fail finance spokesman said: "All the fruits of economic growth have gone into extra spending."

The budget envisages an exchequer borrowing requirement of I£729m ($1.2bn), the equivalent of 2 per cent of GNP. Current expenditure is set to grow by 2.5 per cent in 1996 to I£15.14bn. Capital spending is to increase by 6 per cent to I£3.2bn,

The finance minister, Mr Ruairi Quinn, said he also wanted to reward those at work, announcing an increase from I£50 to I£80 a week in the threshold where employees start paying national insurance contributions, resulting in gains of I£1.65 a week for full-rate contributors.

The standard rate of income tax band is being widened by I£1,000 to I£18,800.

The government forecasts GDP growth of 5 per cent in 1996, compared with the estimated 5.5 per cent for the current year, and domestic demand and consumer spending growth of 4.5 per cent. It expects exports to grow by 9.5 per cent and unemployment – currently at 280,000 or 12.0 per cent – to fall by 10,000, and the number of those in work to rise by 30,000.

Quinn: rewarding workers

In an gesture to small businesses, the minister unveiled plans to cut corporation tax from 38 per cent to 30 per cent, for the first I£50,000.

To meet criticism of lack of action to tackle rising crime, Mr Quinn announced tax relief for old people installing alarm systems.

Brussels ready to challenge road congestion

By Caroline Southey in Brussels

Mr Neil Kinnock, the EU commissioner for transport, yesterday outlined plans to promote better public transport systems in Europe, as part of a campaign to tackle road congestion by reducing the use of cars.

The OECD has estimated that road congestion has cost the EU Ecu120bn ($152bn), or 2 per cent of GDP. The Commission estimates that this is four times more than the total expenditure on public passenger transport across the EU.

Mr Kinnock said over-dependence on the use of cars had put a "huge strain on the transport system in terms of pollution, accidents and congestion"; and that greater use of public transport could ease some of these pressures.

Car ownership in the EU rose from 232 per 1,000 people to 435 per 1,000 between 1975 to 1995, while vehicle speeds in big EU cities fell by 10 per cent during the same period. In London transport speeds have fallen below 18km/h since 1971.

The commissioner stressed he was not launching an "anti-car" initiative, although he hoped "public transport will increasingly offer significant advantages over the private car for many journeys". The intention, he said, was to "make the freedom to travel by private transport more meaningful" by reducing congestion.

He said the funding, managing and organisation of transport systems remained the preserve of governments. The Commission's role was to highlight best practices across Europe and to use EU funding and legislation to promote public transport programmes.

He said the Commission was "neutral" on the question of public ownership of transport systems, although it was foolish for governments to take "ideological approaches" which did not take into account the needs of consumers.

Mr Kinnock said the Commission would encourage governments to copy "innovative and imaginative schemes" in other EU countries. Examples cited in the Commission's first transport policy document, released yesterday, include train-taxi tickets issues in the Netherlands which allow travellers to transfer to a waiting taxi for the final leg of a journey and the metrolink tram system in Manchester which has replaced over 1m car journeys a year in the city centre.

The Commission also intended to use the TransEuropean Network projects to give funding priority to transport systems which linked up with local networks. In addition Ecu240m had been set aside from the Commission's research and development fund to investigate ways to improve transport networks.

The problem: road congestion costs the EU dear Reuter

One possible solution: a Manchester tram Mike Arron

Lithuanian bank crisis claims central bank chief

By Chrystia Freeland in Moscow

Last month's banking crisis in Lithuania claimed another political victim yesterday when parliament accepted the resignation of Mr Kazys Ratkevicius, chairman of the central bank.

The resignation had been demanded by Mr Algirdas Brazauskas, the Lithuanian president, who accused the central bank chief of exercising "insufficient" control over the commercial banking sector.

However, Mr Ratkevicius said his ability to contain the crisis had been constrained by the limited powers of the country's central bank, which does not have the funds to bail out struggling commercial banks.

Mr Romasis Vaitekunas, the interior minister, submitted his resignation over the weekend. He has been criticised for ordering police raids against the chief executives of the two suspended banks and for withdrawing some $2,000 from his personal account in Innovation Bank just a few days before it was shut down. However, some politicians suspect that the sensitive information he controls as interior minister may still allow him to survive the political crisis.

Supervision of commercial banks has been the Baltic state's dominant political issue since the suspension of two of the country's biggest banks last month. In late December Lithuanian regulators closed down Litimpeks Bank and Innovation Bank and arrested the managers of the two banks on fraud charges. The closure has shaken public confidence in the banking sector and prompted many Lithuanians to withdraw their savings from commercial banks.

Many of the former communist states in eastern Europe have suffered similar financial shake-outs during their transition to market economies with stable national currencies and moderate rates of inflation. Latvia, Lithuania's northern neighbour, underwent a banking crisis earlier last year.

Although the tough moves of the Lithuanian authorities have been praised by western economists, who said the government's actions helped prevent a deeper crisis, the financial turmoil has provoked fierce public criticism which the Lithuanian leadership has sought to appease with a round of political dismissals.

The president called yesterday for swifter government solutions to the banking crisis and Mr Adolfas Slezevicius, the prime minister, warned that the turmoil had depressed budgetary revenues and would lead to a delay in the payment of January pensions.

In an address to parliament, Mr Brazauskas also urged his constituents and local government officials not to over-react to the banking crisis.

"This is not a global tragedy," Mr Brazauskas said, in an effort to calm the country's battered financial markets. "There are problems and they will be resolved."

Mr Slezevicius also tried to pour oil on troubled waters. He told parliament that government officials were working with economists from the IMF and the World Bank to prepare a programme to repay depositors whose accounts were frozen last month and to revive the ailing banking sector.

Parliament named Mr Jonas Niaura as acting chairman of the bank. Mr Niaura has been the deputy chief of the bank since 1993.

Economic gloom bodes ill for Swedish jobs

Strength of the krona means unemployment may be a fact of life, writes Christopher Brown-Humes

Fresh from celebrating its best economic performance for more than 10 years last year, Sweden is suddenly bracing itself for much slower growth in 1996.

The gloomier mood, which contrasts with relative optimism as recently as two months ago, reflects a sharp rise in the krona, weaker demand in the country's main European export markets, and a subdued domestic economy. It bodes ill for the Social Democratic government's priority of cutting unemployment, which has ballooned to 12 per cent in the last few years.

Mr Leif Pagrotsky, chief aide to Mr Göran Persson, the finance minister, estimates growth will be less than 2 per cent in 1996, considerably below the finance ministry's prediction of 2.7 per cent last November. "The big difference is the stronger krona," he says.

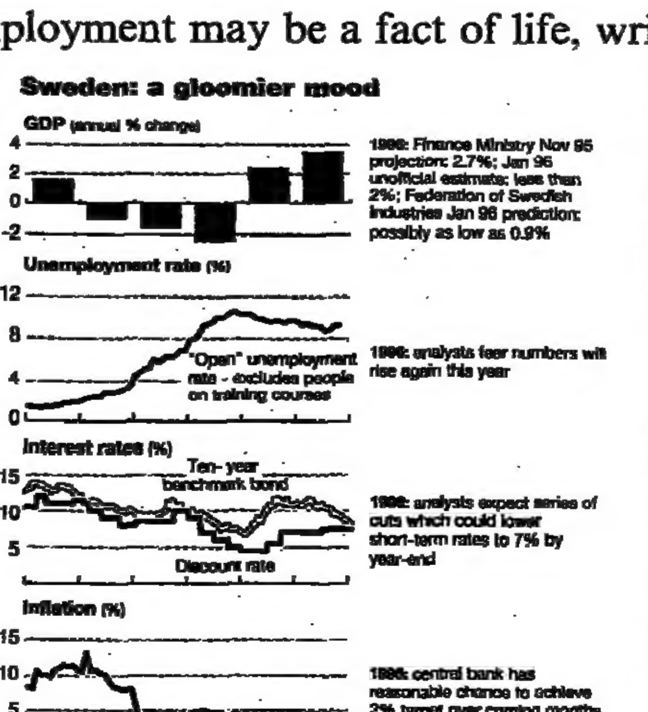
But earlier this month there was an even gloomier prediction from the Federation of Swedish Industries, which forecast that GDP growth would be as low as 0.9 per cent in 1996. This would be an abrupt reversal on 1995, when the economy grew by 3.5 per cent, and could leave the country with the lowest growth rate in the Organisation for Economic Co-operation and Development.

Mr Per Wijkman, the federation's chief economist, says Sweden faces two main problems in 1996. One is weaker export growth caused by lower demand in Sweden's main European export markets, where increasing signs of economic slowdown are compounded by reduced competitiveness because of a 10 per cent strengthening in the krona since the middle of last year.

"European countries are having to take measures to fulfil Maastricht convergence criteria for economic and monetary union. That hits particularly hard small, trade-dependent countries like Sweden," says Mr Wijkman. As much as 70 per cent of Sweden's exports are to west European markets.

The second problem is the state of the domestic economy, where consumer confidence has been hit by high unemployment and the tax rises and spending cuts needed to clean up the state's deficit-ridden finances. The industry federation predicts this will lead to continued high personal savings levels and a small reduction in private consumption in 1996.

Given the growth outlook, it is no coincidence that the central bank, the Riksbank, shifted to a more relaxed monetary stance this month. It cut its key repurchase interest rate by a quarter of a percentage point to 8.66 per cent, its first reduction in nearly two years. Analysts expect this to be the first in a series of cuts which could lower the rate to about 7 per cent by the year's end.



One of the reasons the bank felt able to change tack, after a series of increases over the previous 18 months, was the more benign inflation outlook. After peaking in mid-1995 at just over 3 per cent, inflation has fallen to around 2.6 per cent and is heading downwards. This means there is a reasonable chance that the bank will achieve its target of a 2 per cent inflation rate in the coming months.

Nevertheless, lower growth could unsettle the government's efforts to reduce the state's big debt burden and eliminate its budget deficit in line with its plans to qualify for economic and monetary union at the end of the decade.

Preliminary calculations show that the government's gross debt as a ratio of GDP was stabilised last year at around 84 per cent – a feat it achieved ahead of schedule but still well outside the Maastricht target of 60 per cent.

The budget deficit has also been falling sharply because of a series of tax increases and savings worth a total of SKr115bn ($17.1bn), 7.5 per cent of GDP, and is expected to be eliminated by 1998.

The progress has helped rehabilitate Sweden in financial markets, leading to a strong rise in the krona and a sharp fall in bond yields in the last six months.

But optimism about the state of Sweden's finances was dented this week when Moody's, the US rating agency, warned that the country could well be forced to make further savings to eliminate its "still large" budget deficit.

"Should the debt levels only be able to be stabilised, not reduced, at the peak of the business cycle, the next economic downturn will bring a renewed ballooning of budget shortfalls and debt stocks. Further reductions in social welfare programmes are likely to be necessary, which has not yet been accepted widely by the population," it said.

If growth does slow and further cuts are needed, it can only complicate the task facing Mr Persson, who is set to become prime minister in March, as he has talked of increasing some welfare benefits again from 1998 to offset some of the recent pain.

It will also make the task of cutting unemployment much more difficult.

Sweden has struggled to cut its jobless total from 14 per cent to 12 per cent in the last two years, and some analysts fear numbers will rise again this year.

For a country that was used to unemployment of well under 5 per cent until the 1990s, and which has prided itself on its training programmes to deal with the problem, this would be bad news indeed. It suggests that Sweden has joined the league of European nations where permanently higher levels of unemployment are now a fact of life.


"Well, it wasn't here when we started negotiations."

Samper urged to quit as drugs claims widen

By Sarita Kendall in Bogotá

The political crisis surrounding Colombian President Ernesto Samper deepened yesterday after the manager of his 1994 election effort said the president knew the Cali drugs cartel partly financed his campaign.

Mr Fernando Botero Zea, also a former defence minister, broke a five-month public silence over the issue and said that the president knew about campaign contributions from the Cali cartel, supposedly responsible at one time for more than three-quarters of the cocaine entering the US.

Influential political leaders from Mr Samper's Liberal party and the Conservatives called on him to resign at once. While the majority of the cabinet have rallied round the president, the directorate of the Conservative party is discussing whether to leave the government.

President Samper immediately reaffirmed his innocence in a national broadcast, saying any drug money contributions to his campaign had been made without his knowledge and that Mr Botero was lying to save himself.

Mr Botero began to expand on his sworn statement to prosecutors on Monday, implicating the president.

He claimed his August decision to resign from the ministry of defence was made to preserve stability, but that the crisis had continued and deepened, affecting the economy and Colombia's credibility. Because of this he had decided to tell the truth, regardless of his friendship for the president and the risk to himself and his family.

In interviews from the army barracks where he has been held since last August for his alleged role in accepting Cali cartel campaign finance, Mr Botero asked Colombians to forgive him for his negligence in the campaign and denied he himself solicited or managed drug funds.

Many of those calling for the president's resignation say vice-president Humberto de la Calle, now ambassador to Spain, would be an acceptable substitute. Mr Botero went out of his way to clear Mr de la Calle of any involvement in or knowledge of the multi-million dollar drug contributions to the campaign.

Some politicians say that, as the vice-president was elected with the same funds, he cannot assume the presidency; they suggest a president chosen by the much-discredited congress.

Legally, a congressional commission which absolved the president a month ago should now reopen the investigation against him. But this would not satisfy critics because charges have already been laid against the commission for manipulating evidence and several members were also elected with Liberal campaign funds.

In a rare lapse in his display of self-confidence, the president admitted the possibility of holding a plebiscite on his administration.

Economic groups fear that Mr Samper's determination to try and ride out the crisis, which began with the release of compromising tapes just after his election, may have a serious effect on international confidence and investment.

Samper: under growing pressure over Cali money Reuter

Ailing companies queue up for special government help to avert bankruptcy

High on the danger list in Mexico

By Leslie Crawford in Mexico City

Twenty ailing Mexican companies with debts totalling $5.6bn (£3.63bn) are the first of a long list of supplicants which are receiving special government help to avert bankruptcy.

Another 80 corporations are awaiting admission to the finance ministry's intensive care unit for rich companies fallen on hard times.

Government officials said yesterday they were acting to forestall large-scale corporate defaults to give the economy, battered by a devalued currency, high interest rates and the collapse in domestic demand, chance to stage a recovery.

Mr Eduardo Robinson Bours, who heads the finance ministry's special unit for distressed corporations and his small team of senior government officials see their role as impartial mediators between heavily indebted corporations and their creditor banks.

"We are dealing with companies that owe large syndicated loans, and where communication between the debtor and its many creditor banks has broken down," Mr Bours said. "In many cases, it was the banks who approached us first, worried about the complexity and the cost of recovering debts through legal action."

At Synkro, a hosiery manufacturer which took on a lot of debt in 1994 to expand into the US, Mr Alejandro Giordano, the financial director, admits: "Yes, we are on the list. Mr Bours is helping us renegotiate $330m of short-term debt we owe to a consortium of 10 banks."

Mr Bours said successful reschedulings had been completed in two cases: Grupo Zapata, a Mexican bottler which has refinanced $440m of commercial bank debt, partly through the issue of bonds convertible into equity, while Grupo Costamex, which sells time-share schemes in Mexican tourist resorts, has won an extension on the repayment of $120m of bank debt.

For more complex cases, however, Mr Bours said the government was studying debt-relief schemes using Mexican Brady bonds, the details of which had not been fully worked out.

The bonds, named after former US Treasury secretary Mr Nicholas Brady, form part of Mexico's sovereign debt restructured in the 1980s with the help of US guarantees. The bonds, which are actively traded, can be split into a zero-coupon bond, which pays principal upon maturity, and an interest-bearing component. When only the interest-bearing component is sold, the bonds are traded at a deep discount.

Under a plan proposed by Nafinsa, the national development bank, heavily indebted companies would be given credit facilities to purchase discounted Brady bonds. Mexican commercial banks would then accept the bonds at face value in exchange for cancelling the equivalent amount of corporate debts.

The plan, however, is being resisted in its present form by the National Banking and Securities Commission, which is worried about its impact on Mexico's volatile currency and the value of Brady bonds traded abroad.

"We cannot have Mexican companies all rushing at once to buy dollars in order to purchase Brady bonds," says Mr Javier Gavito, a vice-president at the commission.

"We will have to be selective," he said. He was aware that a discretionary scheme might invite accusations of favouritism, but said the qualifying criteria would be "impartial and transparent." There would "be no preferential treatment, and no government subsidies," Mr Gavito said.

Government officials appeared keen to play down the scope of the debt-relief scheme, if only to avoid unfavourable comparisons with last year's efforts to rescue troubled banks. Bank owners have been required to inject fresh capital into their institutions, or accept a dilution of share-ownership, in exchange for being allowed to sell large amounts of non-performing loans to the government.

It is unlikely that similar conditions could be exacted of heavily indebted companies.

However, both banks and distressed corporations have warned the government that it is unlikely to see an economic recovery this year unless it can rid the private-sector of the albatross of corporate debt.

Aircraft ride for Argentine jobless

By David Pilling in Buenos Aires

The governor of Argentina's Tucumán province, General Antonio Domingo Bussi, has come up with a novel way of tackling his unemployment problem – exporting the jobless.

Gen Bussi, elected governor last year, recently hired a Hercules aircraft from the air force to fly 500 unemployed sugar mill labourers to the provinces of Rio Negro and Neuquén in order to find seasonal fruit-picking work.

The move has unleashed a war of words, with officials from the recipient provinces accusing Gen Bussi of dumping his social problems on them. Mr Pablo Verani, Río Negro governor, said Tucumán labourers, many of whom work for as little as $8 for a 15-hour day, were undermining local labour conditions. He urged employers to hire local workers, but has been instructed by the federal government that this violates the constitution.

Gen Bussi says he is merely providing comfortable travel for the thousands of labourers who traditionally migrate by truck to the south in search of seasonal work. Once there, Tucumán's workers often face discrimination and appalling working conditions. Many are housed in makeshift shelters without water or latrines.

Tucumán, one of Argentina's poorest provinces, has nearly 20 per cent unemployment, 4 points above the national average. "I can't stop them migrating in search of work," said Gen Bussi. "They need money, they are hungry and they want to take care of their families."

The situation in many of the recipient provinces is little better. Río Negro has 14 per cent unemployment and is months behind in the payment of state employees. Neuquén has a 16 per cent jobless rate.

This is not the first time Gen Bussi has employed such tactics. He once tried to truck Tucumán's beggars to the neighbouring province.

AMERICAN NEWS DIGEST

US consumer spending up

US consumer spending rose 0.9 per cent in real terms in November, outstripping a 0.2 per cent gain in real personal disposable income, the Commerce Department said yesterday, in a report delayed by the budget impasse.

The unexpectedly rapid growth of spending caused a fall in the personal savings rate to 4.5 per cent, against 5.2 per cent in October. Disappointing retail reports for the Christmas period, however, indicate that consumer spending growth was slower last month, reflecting modest job growth and the low saving rate.

Figures for October also released yesterday showed a 0.6 per cent decline in real consumer spending and a 0.5 per cent gain in disposable incomes. Revised data on gross domestic product last week indicated that consumer spending grew at an annualised rate of 2.9 per cent in real terms in the third quarter of last year, down from 3.4 per cent in the second quarter. *Michael Prowse, Washington*

Greenspan acts on default

Mr Alan Greenspan, the US Federal Reserve chairman, was yesterday afternoon due to meet Mr Dick Armey, the Republican leader in the House of Representatives. The meeting was expected to focus on the looming threat of a federal government default.

Mr Robert Rubin, the treasury secretary, warned Congressmen on Monday that the government would default on February 29 or March 1 if the $4,900bn debt ceiling was not increased. Mr Armey has said that the House will not approve an increase in the debt limit unless President Bill Clinton agrees to a substantial share of the Republican agenda for balancing the budget. *Reuter, Washington*

Argentina fires pose fresh threat

Pressure was growing yesterday for the resignation of Mrs María Julia Alsogaray, environment secretary, after criticisms that her department had failed to control forest fires raging in southern Argentina. Fires have destroyed thousands of hectares of ancient forests in national parks in the provinces of Chubut and Rio Negro and have spread to South America's principal ski resort of Bariloche where they are closing in on several multi-million dollar ski lodges.

People in the affected region have accused the federal government in Buenos Aires of failing to respond to the disaster and of lacking basic equipment to combat the emergency. Mrs Alsogaray, who last Thursday told the cabinet the fires were under control, has been backed by President Carlos Menem, who has denied departmental negligence. *David Pilling, Buenos Aires*

Chilean secret agent arrested

Argentina has arrested a former agent of the secret police created by Chile's 1973-90 military regime, reopening the sensitive issue of dispensing justice for human rights abuses.

Mr Enrique Arancibia Clavel is wanted for his alleged role in killing a former commander-in-chief of the Chilean army, General Carlos Prats and his wife. They died when their car was destroyed by a bomb in Buenos Aires in 1974. Gen Prats opposed the 1973 military coup in Chile and fled to Argentina. Ms Pamela Pereira, lawyer for the Prats family, said the killing of Gen Prats was part of Operation Condor, in which secret police in Argentina, Chile and other Latin American countries co-operated in arresting and eliminating opponents to military regimes. *Lake Sagaris, Santiago*

Private capital flows to Third World buoyant

By Stephen Fidler, Latin America Editor

Private capital could account for 90 per cent of net financial flows to the world's emerging economies this year, according to a report published today by the Institute of International Finance.

Of the private flows, equity investment could make up half, according to the IIF, the Washington-based study group owned by 200 international financial institutions. Despite Mexico's financial crisis, private capital flows to the 31 most important emerging economics in Asia, Latin America and eastern Europe were stable in 1995 at $175bn (£113bn), it said, forecasting they will stay around that level this year.

Net financial flows to borrowing countries by region ($bn)

	1993	1994	1995e	1996f
Private				
Major borrowers	192.5	174.7	174.9	175.3
of which:				
Latin America	75.0	60.5	36.9	51.7
Asia/Pacific	76.8	87.5	93.8	86.9
Central & Eastern Europe	13/3	13.4	21.2	12.8
Official				
Major borrowers	22.3	23.2	41.2	10.9
of which:				
Latin America	1.7	0.0	27.4	-3.7
Asia/Pacific	11.9	13.8	6.9	8.5
Central & Eastern Europe	9.7	3.9	3.6	3.3

e = estimate. f = forecast Source: IIF

This year's private inflows could "conceivably approach or exceed" the 1993 record of $190bn, but some countries were likely to try to limit some of the capital influx.

Private flows to Latin America could reach $52bn in 1996, compared with $37bn last year, though still remain below 1994's $61bn. Those to the Asia-Pacific region were expected to slip to $87bn from $94bn. Flows to central and eastern Europe were forecast to drop to $13bn from $21bn.

Overall net flows to emerging markets were likely to fall from $216bn to $186bn, as borrowing from official sources falls from a 1995 level swollen by an emergency Mexican financial package. Net official flows were forecast to fall from $41.2bn last year to $10.9bn in the absence of further large-scale financial crises.

The composition of private flows was expected to change. Bond financing and direct investment were expected to rise, while banks were likely to cut short-term lending from the high levels of 1995.

Equity investment was expected to rise to $92bn in 1996 from $87bn last year. Latin American equity inflows should increase, reflecting an underlying expansion in foreign direct investment and a recovery in portfolio flows to Argentina and Mexico. Flows into Brazil could be large if privatisation proceeded rapidly. Equity inflows to Asia should expand slightly to $50bn, of which those to China should stabilise at about $30bn.

Net inflows from banks were seen falling from an estimated $66bn last year to about $45bn this, as short-term credits were cut. Some $12bn of last year's figure was accounted for by Brazil, which seemed unlikely to sustain such inflows this year. Asia received about $30bn in bank finance of which Thailand received roughly half, a figure likely to drop to $10bn this year.

Non-bank creditors, including bond investors, were likely to increase their financing to emerging economies, the IIF said, to a forecast $37bn from $22bn in 1995. Some 35 per cent of emerging market bonds last year were issued in yen, against 16 per cent in 1994, and the Japanese market's importance was seen continuing this year as Tokyo's bond market rules were relaxed.

The IIF also estimated a widening of the economies' current account deficits to about $76bn from $60bn, despite a narrowing in the Latin American deficit to about $21bn from $27bn.

Beirut starts to re-emerge as a business centre

The city aims to act as a channel for funds returning to Lebanon and the region, **Roula Khalaf** reports

For the Netherlands' ING Bank, setting up in Lebanon five years after the civil war took a year of preparation. With daily power cuts and phones often working at their own whim, the ING team had trouble finding an office to house sufficient electric generators and arrange for 20 working phone and cellular lines to be installed.

But Mr Konrad Petersen, ING's general manager for Lebanon, says it was all worth the trouble. "We see the re-emergence of Lebanon as a business centre for the Middle East, where business transactions are concluded, as it was before the war. This entails demand for ever more sophisticated financial services."

ING is only one of several foreign institutions betting on a Lebanese revival. New arrivals into the market include Indosuez, Citibank, and Robert Fleming. ING is starting out with a focus on the local market but with an eye to using the Lebanon branch as a regional base for commercial banking and capital market operations.

In the 1970s, Beirut's strict bank secrecy laws and free-market spirit turned the city into a regional banking centre, through which petrodollars were channelled to the west. While Lebanon fought its bitter war, the oil boom drew to an end and a cash crisis gripped the oil-rich Gulf states. At the same time, banking centres sprang up from Bahrain to Cyprus and better education and training produced a new breed of Gulf bankers, more adept at doing business with western partners.

Beirut now aims to act as a channel for funds coming back into the region to finance infrastructure projects governments can no longer afford, take part in privatisations, and boost private-sector capital. Bankers see it as a centre around which financial transactions are conducted for projects in Syria, Jordan, the Palestinian entity, and one day, Iraq.

Politically, Lebanon is dominated by Syria, and is waiting for the signing of an Syrian-Israeli deal before negotiating its own peace with Israel. This should restore stability to the south and free it of Israeli forces, but legitimise further Syrian control over the country. Ultimately, Lebanon may be able to take advantage of the eventual opening of the Syrian economy.

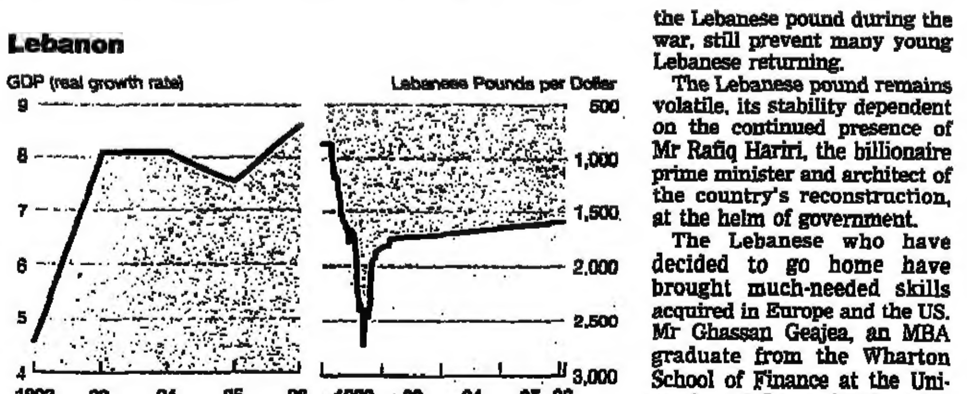
As it rebuilds its infrastructure, it is showing signs it can use its free-market economy and energetic private sector to regain at least in some form its past role. "Everybody else lags behind in terms of commitment to move things ahead," said Mr Angus Blair, head of research for the Mediterranean at ING Barings. "All you have to do is look at Lebanon's Eurobond issue."

Lebanon was the first Arab country to tap the Eurobond market in 1994 with an oversubscribed $400m issue, followed last year by a $300m deal. Last autumn, it was again a Lebanese bank, Banque Audi, which became the first Arab issuer of Global Depository Receipts. The bank raised over $34m in a twice-subscribed issue sold mainly to European and US institutional clients.

Local and foreign bankers are pinning hopes for the development of a regional capital market on the Beirut stock exchange, which opened on Monday. The bourse is hardly the first in the Middle East and its capitalisation is a mere $300m but it is fully open to foreigners, carries no capital gains tax and a 5 per cent withholding tax on dividends.

With capital moving back into the country to finance reconstruction, it is hoped the bourse will be invigorated with a slew of new issues. A total of 15 companies could be listed by the end of 1996, Lebanese officials say.

For the market to take off, it needs the Lebanese government to promote economic growth and reduce the high rates offered on Treasury bills, which will lure investment away from the bourse.



Officials hope the Beirut stock exchange will eventually act as a regional market. They say Syrian companies will raise funds on the exchange, leading companies listed on other Arab exchanges to seek another listing in Beirut. Some Lebanese banks are setting up Syria desks to attract the billions of dollars of Syrian money held outside the country.

Western bankers cite the free capital movement and the maximum 10 per cent tax rate as attractions in the Lebanese market. More than anything, they speak of Lebanon's human capital. "If you go to any major company in the Gulf, it will be run by Lebanese," says Mr Hughes. The same applies to Middle East departments at international investment banks in London and New York.

Whether this diaspora decides to go home is key to the country's revival. Some 800,000 to 1m Lebanese left during the war, the ministry of emigration says. Although reconstruction has fuelled real annual growth of over 7 per cent in the past three years, an acute shortage of affordable housing and low salaries, eroded by the depreciation of the Lebanese pound during the war, still prevent many young Lebanese returning.

The Lebanese pound remains volatile, its stability dependent on the continued presence of Mr Rafiq Hariri, the billionaire prime minister and architect of the country's reconstruction, at the helm of government.

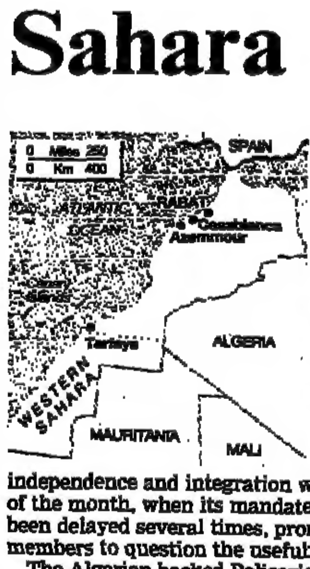
The Lebanese who have decided to go home have brought much-needed skills acquired in Europe and the US. Mr Ghassan Geajea, an MBA graduate from the Wharton School of Finance at the University of Pennsylvania, who spent 10 years in Paris as a fund manager, is an example.

He moved back to Beirut in 1992 to start Capital Investment Services, an investment firm. From Dora, east of Beirut, he has been selling international institutions derivatives on Lebanese Treasury bills.

A few miles west, in the Gefinor Tower, Beirut's mini-Wall Street, young Lebanese bankers have returned home to work for Lebanon Invest, the country's first fully-fledged investment bank. Among their latest projects is a government-sponsored $100m investment fund to be listed on a stock exchange in the west and aiming to inject capital into new or established Lebanese companies.

INTERNATIONAL NEWS DIGEST

UN 'must keep Sahara force'



Withdrawal of the UN mission from the Western Sahara could have destabilising consequences for the region, Mr Boutros Boutros-Ghali, United Nations secretary-general, said in a report to the Security Council yesterday. The Security Council is to decide soon whether to extend the UN mission, charged with organising a referendum asking indigenous Sahrawi inhabitants to chose between independence and integration within Morocco beyond the end of the month, when its mandate expires. The referendum has been delayed several times, prompting Security Council members to question the usefulness of the mission.

The Algerian-backed Polisario Front has been fighting for independence in the territory since Spain withdrew in 1975 and Morocco occupied the area. After a 1991 ceasefire, Morocco and the Front agreed to a UN plan calling for a referendum. Disputes over the eligibility of voters, however, have delayed the move. *Roula Khalaf, London*

Swaps market reassured

The Commodity Futures Trading Commission, the chief derivatives regulator in the US, has reassured the swaps market it has not changed its position on swap agreements following its action against two US subsidiaries of Germany's Metallgesellschaft (MG).

Last year the CFTC found that the MG units had sold illegal, off-exchange futures contracts during a series of trades which brought their German parent to the brink of bankruptcy.

The MG case caused confusion in the swaps market about the legal certainty of swap agreements. The concern was such that in December, two US Congressmen, Mr Pat Roberts, chairman of the House Committee on Agriculture, and Mr Thomas Bliley, chairman of the House Committee on Commerce, wrote to the CFTC asking for clarification.

On January 19 Ms Mary Schapiro, CFTC chairman, wrote back to the two Congressman saying: "With respect to swaps, the MG action does not, and should not be read to, address those instruments." *Antonia Sharpe, London*

Gulf states 'must curb unrest'

Unrest in Bahrain is part of a conspiracy against all Gulf states and should be confronted collectively, a Saudi Arabian newspaper said yesterday. The Gulf nations "are still targets for those who started the longest wars in the Gulf area's history," the Al-Madina daily said in an editorial that was clearly referring to Iran, which fought the 1980-88 war with Iraq.

The pro-government newspaper said the alleged conspiracy against Bahrain "is aimed at the whole area and just an introduction for a larger plan that has to be faced early on". Saudi Arabia and the other members of the Gulf Co-operation Council – Kuwait, the United Arab Emirates, Qatar and Oman – have pledged support to Bahrain.

Bahrain's interior ministry recently arrested eight opposition figures accused of leading a three-day bout of demonstrations, clashes with police, arson attacks on schools, houses and cars, and gas cylinder explosions. *AP, Manama*

NEWS: WORLD TRADE

BMW to increase output in S Africa

By Mark Ashurst in Johannesburg

BMW, the German luxury car manufacturer, yesterday announced it would invest R1bn ($275m) to increase output at its South African subsidiary during the next four years.

Mr Bernd Pischetsrieder, chairman, said BMW South Africa would "become a fully fledged subsidiary of BMW's global network". Production at its Rosslyn plant, north of Pretoria, would rise to 25,000 cars a year in three years, of which about one third would be exported.

The investment comes after a record year for South African vehicle sales, which rose 24 per cent to 375,411 in 1995.

It also highlights the predicament of local vehicle manufacturers which face competition from imports following sharp cuts in import duties from 125 per cent to 65 per cent.

Mr Chris Moerdyk, BMW South Africa's public affairs manager, said the investment, a mix of foreign and local capital, would raise production capacity by 20 per cent. He expected an industry-wide export drive among local manufacturers, including Mercedes, Nissan, Toyota, Volkswagen, and licensees of General Motors, Mazda and Ford. "Without exports we will not survive. It wouldn't pay to relocate," he said.

Rosslyn ceased production of 5-series models at the end of last year and would produce only 3-series models, predominantly for African and Asian markets.

Production of the BMW 7-series ended in 1994, but other models were available for import. Export markets would be identified by BMW's headquarters in Munich on the basis of shortfalls in supply.

BMW South Africa produced 18,000 vehicles for the domestic market last year, the highest output since 1983.

About 1,000 were exported to sub-Saharan Africa, and a further 200 to Pakistan.

GE unit still eyes Airbus

By Michael Skapinker, Aerospace Correspondent

GE Capital Aviation Services (Gecas) is still talking to Airbus Industrie, the European consortium, about a possible aircraft order, in spite of its announcement this week that it was buying up to 259 jets from Boeing of the US.

Boeing has defeated Airbus in recent contests to supply aircraft to Singapore and Malaysia Airlines, but industry officials believe Airbus still has a chance of winning some of the Gecas business.

Gecas, the leasing arm of General Electric of the US, this week announced it was ordering five Boeing 777s and 102 Boeing 737s. Gecas has also taken an option to buy a possible further 152 Boeing 737s.

Gecas is thought to be talking to Airbus about buying about 40 aircraft.

The orders confirm the strong upturn in aircraft purchases this year.

In the first three weeks of this year, Boeing has won more orders than it did in the whole of 1994.

In addition to the Gecas order, Boeing earlier this month defeated Airbus to win the order from Malaysia Airlines for 15 Boeing 777s and 10 Boeing 747-400s, bringing total orders in January to 132 so far.

In 1994, Boeing won only 120 orders during the entire year.

Last year, the US group won 346 orders, which means that this year's tally so far is more than a third of all the orders Boeing received last year.

The picture at Airbus is less cheerful. The consortium, which is owned by Aerospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain, has received orders for only nine aircraft so far this year, compared with 106 last year.

The first three weeks of the year cannot be seen, however, as an indication of the likely progress for 1996 as a whole. Apart from a possible order from Gecas, Philippine Airlines said this month that it planned to buy 28 aircraft from Airbus, as well as eight 747 jets from Boeing.

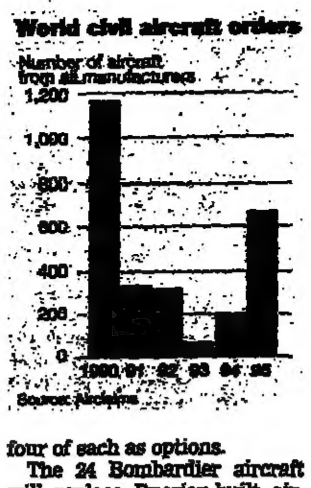
■ Bombardier of Canada is selling 50-passenger Regional Jets and turboprop Dash 8-300s worth $425m to Romania's privately owned DAC Air, writes **Robert Gibbens** in Montreal.

The order is in three parts: four RJs and four Dash 8s fully financed through international banks for delivery by late 1997; then four more of each, conditional on financing, with delivery by 1998; and a further four of each as options.

The 24 Bombardier aircraft will replace Russian-built aircraft in service for 30 years.

The contract includes air and maintenance training in Canada.

World civil aircraft orders



Vietnam leases 10 A320s and 3 Boeings

By Jeremy Grant in Hanoi

Vietnam Airlines, one of the world's fastest growing carriers, has leased 10 Airbus Industrie A320 aircraft and three Boeing 767-300s as part of plans to expand its fleet to meet rapidly growing demand, an airline official said yesterday.

The move clears the way for sales of new aircraft by Boeing and Airbus Industrie, the European aircraft manufacturing consortium, to the leasing agents.

Under a contract signed with an affiliate of Regionair, a Singapore-based agent, the Vietnamese flag carrier will acquire the A320s on an operating lease, giving it the option of flying and maintaining the aircraft or contracting this out.

A second Vietnam Airlines official said a separate lease agreement had also been signed for three Boeing 767-300s from GE Capital Aviation Services (Gecas), a unit of General Electric of the US.

Airbus Industrie is understood to be negotiating the sale of the 10 aircraft to Regionair, which must buy them to satisfy Vietnam Airlines' policy of acquiring new aircraft. Financing is likely to come from the banks, with a measure of European export credit backing.

An official at engine manufacturer CFM International in Paris said work had started on a batch of engines which Vietnam Airlines had chosen for the A320s.

CFM International, a 50-50 joint venture between General Electric and the French government-owned Snecma, stands to gain business worth over $100m (£66.2m). The group appears to have beaten off a proposal from International Aero Engines (IAE), which groups Rolls-Royce, the US company Pratt & Whitney and MTU of Germany. CFM-56 engines are in use on A320s currently flying in Vietnam.

Vietnam Airlines has seen its traffic grow 30 per cent a year since 1987. Airline officials have said they want to double the fleet by the year 2000, swapping ageing, Soviet-made Tupolevs and Yaks for modern aircraft.

Experts say the carrier could be running about 50 aircraft costing $2bn-$3bn in the next 10-15 years.

China to lead global music sales growth

By Alice Rawsthorn

China will be by far the fastest growing market for the music industry over the next five years, if progress is made in stamping out music piracy.

The Chinese music market has the potential to grow ninefold from $241m in 1994 to $2.16bn in 2001, says the MBI World Report, a study commissioned by Music Business International magazine.

Other Asian markets, notably India, Thailand and Indonesia, are also forecast to show dramatic growth. This will accelerate the trend for Asia to command a larger share of global music sales, with the established markets of North America and Europe continuing to lose share.

The expansion of the Asian market could pose strategic problems for the six companies – PolyGram, Sony, BMG, Warner, EMI and MCA – which control two thirds of the global music market. They are all owned by European or North American groups, except for Sony Music, a subsidiary of the Japanese electronics group, and have traditionally derived a high proportion of profits from Anglo-American popular music stars.

However, musical taste has become more chauvinistic in the 1990s, particularly in the fast growing Asian market, where consumers tend to prefer indigenous stars.

Although MBI expects the "big six" to continue to dominate the global market, it may be more difficult for them to nurture lucrative global stars, such as Elton John or Michael Jackson, in the future.

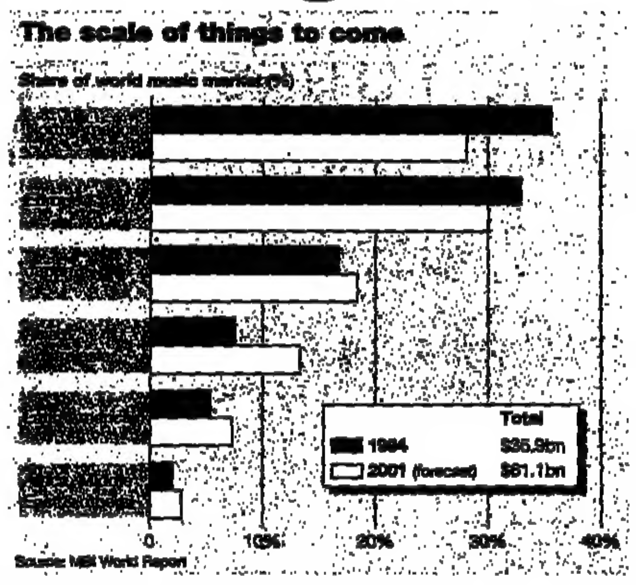
Growth in Asia will be considerably higher than in the west.

MBI predicts sales of recorded music in Asia will rise from $2bn in 1994 to $7.09bn in 2001, with its share of the global market rising from 5 per cent to 12 per cent. By contrast, sales will continue to show strong growth in Europe – up from $11.8bn to $18.4bn in the same period.

Meanwhile, the global music market, which has shown 14 per cent growth over the past year, rising from $36bn in 1994 to $41bn in 1995, is expected to rise to $61bn by the year 2001.

● *MBI World Report, £475 from MTI, 7 Archway Business Centre, Wedmore Street, London N19 4RU. Tel: 0171-263 1365.*

The scale of things to come



WORLD TRADE NEWS DIGEST

Total, Vietnam in refinery talks

French energy group Total and the Vietnamese state oil agency PetroVietnam are discussing investment in a second oil refinery despite Total's decision to withdraw from plans for the country's first facility. "We are talking [to PetroVietnam], working seriously on this subject. We are pushing to develop our activity in downstream," Mr Jean-Pierre Labbe, general manager of Total's Vietnam refining and marketing operation, said yesterday.

Vietnam baffled the energy industry by insisting last year that it will build an oil refinery, despite anticipated refining overcapacity in the region. The refinery is to be built, for political reasons, at Dung Quat, a barren coastal site with virtually no infrastructure. Total walked away from the project in September last year, saying it would not be economically feasible. The French group wants a refinery in southeast Asia to support its regional petroleum product marketing and distribution plans. Hanoi has said it wants to build a second refinery. *Jeremy Grant, Hanoi*

NEC in Chinese chip venture

NEC, the Japanese electronics maker, will invest Y12bn ($114m) in a semiconductor facility in China, the first venture for advanced memory chips in China. NEC said that it would start mass production of 4-megabit dynamic random access memory chips at Shougang NEC, a joint venture with a local company which has become China's largest semiconductor manufacturer.

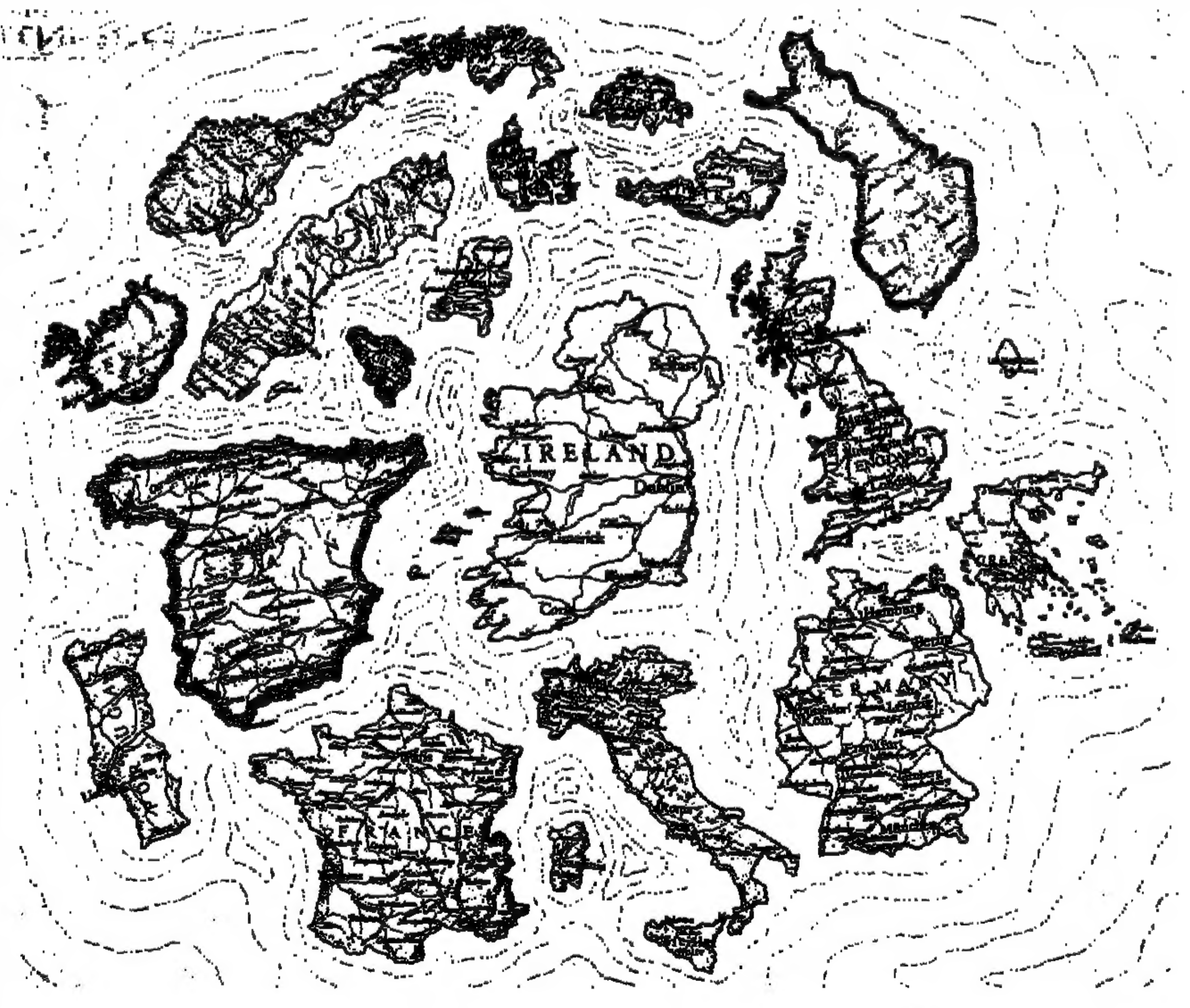
The move, which makes NEC the first company to start value-added semiconductor manufacturing in China, highlights the growing need of the Chinese market for advanced semiconductors, NEC said. Production of semiconductors in China had been restricted to assembly rather than fabrication. The new production line is scheduled to begin mass production of 4 megabit D-Rams in November, with a production capacity of 8,000 wafers in total. The number of chips to be manufactured will rise to 6.7m units in 1997. NEC will further manufacture advanced 16-megabit D-Rams beginning in July. *Michiyo Nakamoto, Tokyo*

European to chair Nafta dispute

The US and Canada have for the first time chosen a non-North American trade expert to chair a dispute settlement panel set up under the North American Free Trade Agreement (Nafta). Prof Elihu Lauterpacht, former director of Cambridge University's Research Centre for International Law, will head a five-member panel examining high Canadian tariffs on dairy products, poultry and eggs. The tariffs, a cornerstone of Canada's farm supply-management system, were imposed within the Uruguay Round of multilateral trade negotiations to replace quotas and other non-tariff barriers. However, the US has challenged them, claiming they violate Nafta's prohibition on new customs duties. *Bernard Simon, Toronto*

■ Hewlett-Packard of the US plans to set up a joint-venture foundry to design and manufacture integrated circuits in Taiwan, marking the company's entry into the island's booming semiconductor industry. The plant is expected to have a capacity of 30,000 eight-inch wafers a month and to start operations by the end of 1997. *Laura Tyson, Taipei*

■ Harris Farinon, a Canadian subsidiary of the US Harris Corp, will supply C$62m (US$45m) of digital microwave radio equipment to Folec Communications of Malaysia to extend basic and cellular telephone systems. *Robert Gibbens, Montreal*



Hong Kong drops TV law

By Simon Holberton in Hong Kong

The limits of British rule in Hong Kong were underlined yesterday when the government said it was unable to proceed with its much promised broadcasting law.

Failure to go ahead with the bill, which has been under consideration for five years, means it will fall to the post-colonial administration to deal with the issues of cross-media ownership and Hong Kong's role as a regional hub for satellite television and communications.

Hong Kong reverts to China in less than 18 months. Recently Beijing had showed a desire for better relations with Britain, the outgoing sovereign, but has tempered its overture with demands that London hold back from making changes to Hong Kong's laws and institutions.

Governor Chris Patten is coming under increasing pressure from both the Foreign Office in London and Hong Kong government officials to slow the pace of change in the colony. As this year proceeds, he is likely to be pressed to co-operate with China on dismantling his electoral reforms.

The government had intended to bring forward a bill to consolidate into one law broadcasting provisions of the television and telecoms laws.

The decision not to proceed with the bill was criticised by pro-democracy politicians in Hong Kong as "kow-towing" to China.

A spokesman for Mr Patten said the government had merely run out of time. It still intended to bring existing legislation in line with the Bill of Rights, Hong Kong's civil rights law. This will mean repealing the authorities' right of pre-censorship, and curbing the government's powers to intercept phone calls.

Mr T H Chau, secretary for recreation and culture, said he would give priority to drawing up proposals to regulate video-on-demand, together with a review of cable TV deregulation.

Wharf Cable's exclusive franchise to broadcast cable TV ends in May. It has vigorously opposed Hongkong Telecom's plans to introduce video-on-demand. Hongkong Telecom wants to offer this service by July this year.

Mr Chau said it was important the government helped facilitate development of video-on-demand "while considering its impact on the market". He said he hoped to be able to bring forward proposals by March and legislate by the summer; it would issue a consultation paper by the end of April on deregulation of cable TV.

Bank of Japan to keep low interest policy

Recent economic indicators give grounds for encouragement

By William Dawkins in Tokyo

The Bank of Japan will maintain an easy monetary policy for the foreseeable future, despite signs of economic recovery, Mr Yasuo Matsushita, its governor, said yesterday.

His remark confirms the expectations of most economists in Tokyo. But it is significant because it came after the latest quarterly meeting of the central bank's regional branch managers, an important influence on the evolution of the BoJ's view of the health of the domestic economy.

The bank's 33 branch managers yesterday gave a more optimistic assessment of the business outlook than at their previous meeting in October.

This is in line with the recent series of encouraging economic data at the end of last year, showing rises in industrial production, capital investment, corporate profits, retail sales and housing starts. The BoJ recently announced that Japan's benchmark money supply, M2 plus certificates of deposit, rose by 3.2 per cent last year, up from 2.1 per cent in 1994.

Mr Matsushita said he wanted to see how much of the recovery could be sustained and to what extent private demand could take over from the public sector stimulus delivered by last September's record Y14,220bn (£89bn) fiscal pump-priming package.

"At this point, there remains uncertainty, including to what degree the Japanese economy will be able to absorb pressure from various structural reforms," he warned.

The BoJ's official discount rate, at which it lends money to commercial banks, has stood since last September at 0.5 per cent, the lowest in any leading economy during the post-war years. Since then, it has pumped enough cash into the money markets to keep overnight rates, at which banks borrow from each other, below the official discount rate.

Economists in Tokyo are assuming it will stay at that level so long as there is enough surplus labour and production capacity to make inflation unlikely. Unemployment stands at a record 3.4 per cent, the jobs market is weak, and economic growth is running at 3-4 per cent below potential.

Another factor in keeping interest rates low is the BoJ's policy of keeping a steep yield curve, to enable private-sector banks to earn profits on the bond market to write off bad debts. They borrow cheaply from the BoJ and invest the cash in higher yielding government bonds.

Mr Matsushita said yesterday the BoJ would continue to support banks in difficulties in securing liquidity for their restructuring.

Tokyo telecom and broadcast rules eased

By Michiyo Nakamoto in Tokyo

The Japanese authorities yesterday signalled a greater willingness to promote competition in telecoms and broadcasting and to lay the groundwork for developing multimedia services, with the announcement of a series of much-awaited deregulation measures.

The Ministry of Posts and Telecommunications said it would relax rules in the two industries criticised for hampering the emergence of new businesses and restricting competition.

The ministry's move comes as part of a government effort to step up deregulation measures in general and stimulate growth in new areas amid a structural shift in the Japanese economy. It coincides with a wide-ranging review of NTT, the country's dominant telecommunications carrier, expected to have a big impact on Japan's future telecoms policy.

In its latest deregulation move, the ministry proposes to relax rules which set restrictions on the number of so-called Type I common carriers: those offering fixed-line telecoms services using their own infrastructure. It would make it clear that in principle businesses would be allowed to pull out of the market, and that no restrictions exist on companies, apart from NTT and KDD, offering different types of telecoms services.

The ministry's strict regulations have been criticised by members in the industry and the government's advisers on administrative reform as discouraging new market entrants and restricting the growth of new services.

In addition, plans to liberalise connection between private leased lines and public lines will be brought forward by a year from some time before the end of the 1997 fiscal year to as early as possible in fiscal 1996 which begins in April.

The move is expected to expand new services in the long-distance market to individual consumers at lower rates than at present offered by large telecoms carriers such as NTT.

Connection between international value-added networks and public phone lines is also expected to be liberalised in fiscal 1997.

The restriction on foreign investment in Type I carriers, currently limited to a third of the equity, is likely to be relaxed. Foreign investment in NTT and KDD will be reviewed after the ministry's advisory panel submits its conclusions on NTT's future status at the end of next month.

The MPT will further draw up specific rules regarding interconnection between NTT's local network with the long-distance networks of its competitors and consider amending the telecommunications law accordingly.

The difficulties that long-distance carriers have had in interconnecting with NTT's local loop have been a source of friction between the dominant carrier and its competitors and have led to calls for the break-up of NTT, which has a virtual monopoly over local business.

In addition to requiring NTT to provide its competitors with access to the local loop, the ministry is considering drawing up rules covering connection costs and disclosure of necessary accounting information.

Mobile phone companies will be allowed to change their rates by simply informing the ministry rather than applying for approval.

In broadcasting, the ministry plans in the year to March 1997 to relax rules governing ownership of media companies and regulations on pay TV services. At present, a company can own only one television channel and radio station, and a newspaper publisher cannot own a TV broadcaster.

Australian opposition pledges telecoms sell-off

By Nikki Tait in Sydney

A partial privatisation of Telstra, Australia's large telecommunications carrier, will go ahead if the coalition opposition wins power at the next federal election.

The carrier, which is the only general local service provider in Australia, although it now faces competition in the long-distance and cellular markets, is currently wholly owned by the federal government. Its 1994-95 revenues were just over A$14bn (£6.8bn), and its market value has been estimated at more than A$25bn.

In a communications policy statement issued yesterday, the Liberal and National parties, which make up the coalition, said that they would sell a third of the carrier in their first parliamentary term in government. The share flotation could take place in the two tranches, depending on market conditions.

"If we decide at the end of our first term to privatise more of Telstra, then we will go to the subsequent election seeking an explicit mandate to do that," said Mr John Howard, coalition leader.

Foreign ownership would be limited to no more 35 per cent of the publicly held shares, and no more than 5 per cent could be held by any single foreign shareholder. The coalition also pledged to legislate community service obligations and retain price caps for Telstra, to protect services for people living in rural areas.

The fate of Telstra is likely to become a significant issue in the impending election campaign, since it is one area on which the parties have clearly differentiated policies. Although there have been rumours in the past that Labor might consider selling parts of the business, Mr Paul Keating, Australia's prime minister, said yesterday that Telstra would not be privatised under a Labor government.

"Telstra is not for sale," he commented. When asked what time-frame this covered, he added: "I'm just telling you it's not for sale."

"This nation has basically got a major asset. It's got a major phone company with a huge turnover right in the middle of the biggest growth telephone market in the world and wouldn't we be complete fools to give it to foreigners?"

Despite its policy of keeping Telstra in public hands, the Labor government has moved to deregulate the telecoms market in Australia.

Optus Communications, which is owned by a mixture of local institutions and international telecoms operators, was formed to compete against Telstra in the long-distance market in the early 1990. Optus and Britain's Vodafone are also licenced to compete in the cellular market. Labor is proposing to move to full market deregulation by mid-1997.

A federal election is due by May, and most commentators expect Mr Keating to set a March date. The most recent Newspoll opinion poll, published yesterday, gave the coalition a 10-percentage point lead over the government, although polls over the Christmas period showed a narrower advantage.

● The opposition also pledged to review Australia's media ownership rules if it gains office, and said it would adopt a case-by-case approach to media-related foreign investment decisions.

This could have immediate implications for John Fairfax, publisher of the main heavyweight newspapers in Sydney and Melbourne. At present, Mr Kerry Packer has a 17 per cent stake in Fairfax, but cannot go higher because of his ownership of Nine Network, the Australian TV network. Mr Conrad Black, the Canadian publisher, is also limited to 25 per cent, under foreign ownership restrictions.

Burma gas pipeline rouses opposition

Oil groups distance themselves from forced labour. Ted Bardacke reports

Burma's narrow southern peninsula, once a virtual no man's land, has become a battleground. The construction of a $1bn (£662m), 409km pipeline to transport offshore natural gas across the peninsula to Thailand, by an international consortium led by Total of France and Unocal of the US, has brought deaths in the jungle and denunciations in the west.

Last March five Total workers were killed and 11 injured by ethnic Karen rebels extracting revenge for the uncompensated expulsion of villagers along the pipeline route. Just last month security forces guarding the pipeline area came under attack again, resulting in a least one death.

The systematic use of forced labour by Burmese military units charged with protecting the pipeline and its employees, and the project's acute strategic importance to the Burmese military junta, have made the pipeline a target of western human rights activists initiating consumer boycotts of companies doing business in Burma. The forced labour surrounding the project is being trumpeted loudly by proponents of a recently introduced US bill that would outlaw further US investment in Burma.

By all accounts, workers on the pipeline itself are being paid, and paid well by Burmese standards, although kickbacks by workers to the local military officers who have some power over who gets hired have been widely reported.

Workers in military camps being set up to secure the pipeline area are not so lucky.

"Last May the township military authorities ordered us to go to Heinze Island. Two hundred of us were there for two weeks, clearing grounds, constructing a helicopter pad, building bamboo barracks and a wooden guest house. We were not paid... and when we left, more workers were forced to go to replace us. They were not paid either," says Mr Ohn Thaw, a villager from Kanbauk who is now a construction worker in Bangkok after escaping from Burma late last year.

Previously uninhabited, the island in question is important for both construction and operation of the pipeline. It is located in the shipping lane through which Total will transport material and equipment to build the pipeline, and near the point where it emerges from the Andaman Sea on to Burmese soil.

Mr Ohn Thaw and other Burmese refugees say that as well as getting no wages, they were forced to pay for the petrol used in the boat which took them to the island and were ordered to take their own food.

"As soon as we got there, the military confiscated our food and then rationed it out to us. It wasn't enough, only two tins of rice per day; we usually eat three," says Mr Ohn Thaw, who adds that villagers in Kanbauk who refused to go were either fined 3,000 kyat (about a month's wages) or arrested and sent to zones of conflict to act as porters for the military.

Total and Unocal say no operation under their control uses forced labour. Yet the security situation in the area is precarious and one Total executive involved in the project acknowledges that "unless the area is pacified, the pipeline won't last" the duration of the 30-year gas purchase agreement signed with the Petroleum Authority of Thailand.

Mr John Imle, president of Unocal, said last year that "if you threaten the pipeline, there's going to be more military. If forced labour goes hand in glove with the military, yes, there will be more forced labour. For every threat to the pipeline there will be a reaction."

That reaction is apparent to Mr Ohn Thaw. Forced labour shifts in the area around his village "used to be once a year," he says. "Now it's three times a year and the time (spent working) is double or triple what it used to be."

Citing these allegations among other things, this month US senators introduced legislation that would ban US investment in Burma – which, depending on its legal interpretation, could force Unocal to pull out of the project – until an elected government has taken power in Burma and international labour standards are being adhered to.

US campaigning groups, playing up instances of forced labour, have, meanwhile, succeeded in several American cities in enacting selective purchase legislation prohibiting local government purchases from companies investing in Burma. This year they will seek to push this campaign to the state level, which could deny Unocal millions of dollars in state government contracts.

These groups are also introducing shareholder resolutions aimed at prohibiting companies from carrying out operations there.

In some cases this pressure has been effective. In 1994 Hong Kong-based Victoria Garment Manufacturing Company, which has four factories in Burma, exported $32m worth of textiles to US customers such as Macy's, Eddie Bauer and Liz Claiborne. Under threat of picketing in front of stores and disruption of annual meetings, these companies stopped buying clothes made in Burma. Victoria Garment's US exports fell to around $10m in 1995 and this year the company expects it will be forced to sack half its 3,300 workers in Burma.

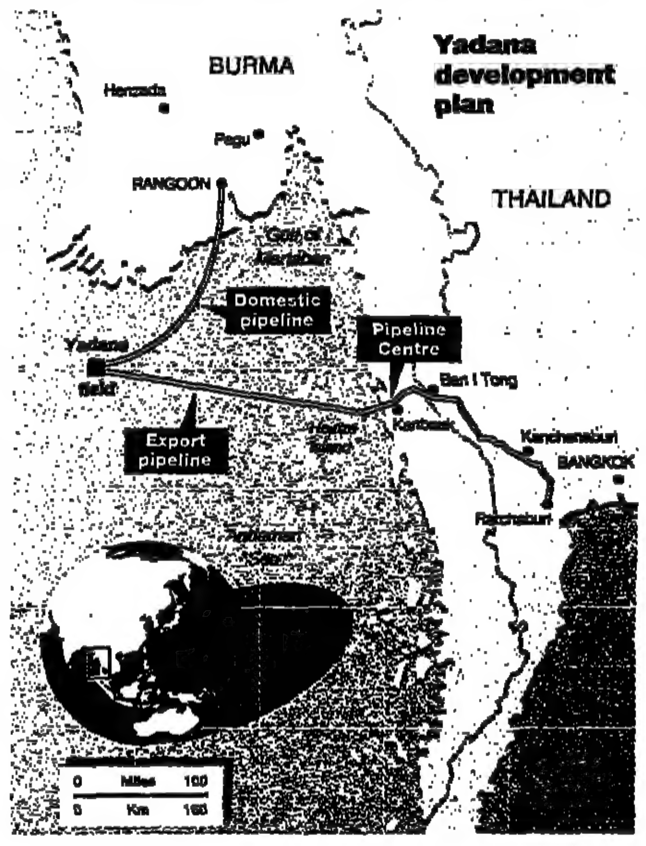
While such redundancies in mainly hurt workers, disruption of the pipeline would be disastrous for the military regime. Huge reserves of natural gas exist in the Andaman Sea, and both Texaco and Arco are poised to begin production if Total and Unocal can show that delivering the gas to energy-hungry Thailand is feasible.

Burmese officials have indicated that the hard currency they will earn from selling the gas may eventually allow them to devalue the kyat, the most important obstacle to permanently reviving the struggling Burmese economy.

On top of the revenue, some of the gas will be transported by another pipeline to Rangoon, where it will generate electricity and be used to produce fertiliser, things the Burmese government desperately needs. "The pipeline is a key to so many projects," says Mr Set Maung, economic adviser to the Burmese generals.

Total and Unocal have been at pains publicly to distance themselves from the Burmese junta. But as the pipeline progresses, the relationship is deepening, as the companies recognise that the military is the only real administrative authority in the country, according to a Total executive.

Signs of this collaboration turn up in the oddest places. At Ban I Thong, where the pipeline will cross into Thailand, Burmese government troops have taken up strategic positions on a ridge which is nominally in Thailand. In the shirt pocket of a young private, who has tied a bunch of bananas to his belt laden with hand grenades, is a ballpoint pen sporting the logo of Total.



ASIA-PACIFIC NEWS DIGEST

Australian unions claim a victory

Australian union leaders were claiming victory yesterday after Comalco, the aluminium subsidiary of RTZ/CRA, was told by the Australian Industrial Relations Commission it must extend the more generous terms and conditions offered to employees working under individual staff contracts to other employees who perform similar tasks but choose to bargain collectively. The dispute, which originally centred on about 70 employees at Comalco's bauxite mining operations in north Queensland who refused to sign individual contracts, has become a national issue. The company claims employees working on individual contracts are more productive, and similar productivity gains cannot be achieved where a collective system remains in place. *Nikki Tait, Sydney*

Lower Thai inflation forecast

Thailand's slower export growth, especially in the service sector, and improved macroeconomic stability will ease pressure on prices this year, Mr Vijit Supinit, Thai central bank governor, said yesterday. He predicted inflation of 4.9 per cent in 1996 against 5.8 per cent last year. He and Mr Surakiart Sathirathai, finance minister, were addressing investors in London. Mr Surakiart said a pension fund would be ready for approval in March, and would – by encouraging savings rather than spending on imports – help reduce the current account deficit. A derivatives market was being planned. *Richard Adams, London and Ted Bardacke, Bangkok*

Chun and Roh face new charges

Former South Korean presidents Chun Doo-hwan and Roh Tae-woo yesterday faced new criminal charges as they were indicted for their alleged part in a 1980 military massacre of democracy protesters in the city of Kwangju. The two, who were jailed nearly two months ago, already face charges of leading a military coup in 1979 and allegedly taking bribes in office. Mr Chun and Mr Roh say they cannot be prosecuted for their roles in the 1979 coup and 1980 massacre because the 15-year statute of limitations has expired. *John Burton, Seoul*

Chinese students to pay fees

China is to start charging students fees for attending universities and colleges, while giving graduates more say in choosing jobs. Xinhua news agency quoted an official as saying the government would continue to subsidise colleges and universities, but from this year 500, nearly half the total, would introduce charges, with the rest to follow by 1997. *AFP, Beijing*

Opposition tries to enmesh Rao in bribes scandal

By Mark Nicholson in New Delhi

The Indian opposition yesterday sought to enmesh Mr P V Narasimha Rao, the prime minister, in the country's political bribes scandal by releasing a purported statement by Mr Surender Jain, the businessman at its heart, which alleges payments were made to Mr Rao.

The allegation by the Bharatiya Janata party (BJP) intensified the political row over the scandal, as serious as any corruption case since independence. Mr Rao's Congress party dismissed the charges as "false and baseless". Mr Rao "has not received money from Mr Jain or anyone else", an official said.

The Hindu nationalist BJP has been stung by indictment of Mr L K Advani, its president, along with nine other politicians for allegedly receiving bribes from Mr Jain. Party leaders claim the charges are an attempt to blunt the party's anti-corruption platform in elections due in April.

Mr A B Vajpayee, BJP leader, said the purported statement was drawn from Mr Jain's testimony last March to the Central Bureau of Investigation, the department leading the inquiry.

It quotes Mr Jain alleging that Mr R K Dhawan, a Congress MP, "told me in the presence of Mr Rao to give Rs500,000 for party funds, saying I would be compensated adequately. After about two or three days, I paid Rs500,000 to Mr Narasimha Rao."

Mr Jain is quoted as saying he made several payments totalling Rs35.5m (£655,000) for Congress "party funds" and Mr Rao's "expenses", along with payments to Mr Chandraswamy, a controversial religious figure close to Mr Rao.

The payments, according to the purported statement, were aimed at securing work for Mr Jain's company, Bilhai Engineering, on a steel project.

Bureau officials have said Mr Jain did allege payments to Mr Rao, and the premier's alleged role in the Jain affair "has been investigated". Mr Rao is nowhere referred to in notebooks seized at Mr Jain's Delhi home in 1991 which form the basis for charges laid against top politicians last week.

Seven politicians were charged last week with accepting bribes, based on evidence from Mr Jain's notebooks, corroborated by Mr Jain's testimony to police. The charges allege Mr Jain was at the centre of a *hawala* (illicit foreign exchange racket) and to have paid dozens of politicians and bureaucrats to secure contracts between 1988 and 1991.

Charges were laid yesterday against three Congress Party ministers, Mr Madhav Rao Scindia, Mr V C Sukhla and Mr Balram Jhakar, for alleged bribe-taking. Arraignment had awaited presidential consent to remove their immunity. The three resigned last week.

Mitchell to snub British call on IRA arms

By John Kampfner, Chief Political Correspondent

The international commission on Northern Ireland is expected today to recommend all-party talks before the Irish Republican Army has handed in any of its weapons, but only after Sinn Féin accepts six points of principle. Sinn Féin is the political wing of the IRA.

Former US senator Mr George Mitchell and his two colleagues will launch their 18-page "advisory" report to the British and Irish governments this morning in Belfast, and are expected to say that it is balanced.

The report is understood to call on the IRA to begin a phased "process of decommissioning" of weapons once negotiations about the future of Northern Ireland begin. It lays open the possibility of the paramilitary groups carrying out the handover or destruction of weapons themselves under independent verification. Its recommendation will be seen as an implicit call to the British government to drop its long-held demand for "decommissioning" before all-party talks can begin.

Principles which all sides are called on to "honour" are understood to include:

- A commitment to purely democratic means and recognition of the rights of parties that have gained a democratic mandate. This point, modelled on the 1993 Downing Street declaration, would be the furthest Sinn Féin has gone in acknowledging the rights of the anti-nationalist majority in Northern Ireland
- An end to punishment beatings and other forms of violence which have continued since the IRA and its rivals ordered ceasefires in 1994
- A commitment to abide by the outcome of any settlement
- Agreement to the principle of "decommissioning" arms
- Agreement that any handover must involve outside verification.

One senior supporter of the continuing union of Great Britain and Northern Ireland expressed dismay. "Mitchell seems to have led us up the garden path," he said last night.

He suggested that Mr John Major, the UK prime minister, had intended to use publication of the report today to announce plans for elections to a Northern Ireland convention, in line with demands from unionists. That would now be difficult as Mr Mitchell had watered down his recommendations on the issue. The report stops short of endorsing proposals for an assembly that would serve as a forum for political talks on a constitutional settlement. It suggests it could be considered as one of several confidence-building measures.

Mr John Bruton, the Irish prime minister, consulted coalition colleagues. Sir Robin Butler, the British cabinet secretary, met Irish officials in London to discuss a co-ordinated Anglo-Irish response.

One official suggested the proposals would be as hard for Sinn Féin to accept, as for Unionists. "It demands a little bit of everybody, and for that reason it's going to be tough to get everyone to agree," he said.

Administrators sue auditors over 'negligence'

By Jim Kelly, Accountancy Correspondent

THE BARINGS COLLAPSE

Administrators to Barings Group yesterday issued writs against three firms of accountants, alleging negligent auditing, and claiming several hundred million pounds in damages. The action, which would take several years to come to court, prompted angry responses from the firms involved, which all said they would fight the case vigorously.

The administrators, from Ernst & Young, the accountancy firm, have been collecting evidence since the collapse of the merchant bank almost a year ago following massive losses in trading.

They said yesterday that they had waited until they had studied the reports on the collapse by the Bank of England (the UK central bank), and the Singapore authorities before issuing the writs.

Coopers & Lybrand's work as auditors was criticised but the collapse was principally blamed on Nick Leeson, the trader who ran up the losses, and the management which supervised him.

Mr Leeson, who lost $1.4bn in bringing down the bank, pleaded guilty to two charges of cheating and was sentenced to six-and-a-half years' jail by a Singapore court in December last year.

Ernst & Young refused to put a figure on the claim but said it would be "substantial".

The administrators are acting on behalf of creditors to Barings Group companies. The business itself was sold to Internationale Nederlanden Groep (ING), the Dutch bank.

It is understood that preference shareholders and bondholders have outstanding claims of around £200m. The Barings Foundation could also benefit – the UK grant-making trust held all the ordinary non-voting shares in Barings.

The writs have been issued against Coopers & Lybrand in London for the years 1991, 1992, 1993, and 1994; Deloitte Touche in Singapore for 1992, and 1993; and Coopers & Lybrand in Singapore for 1994.

A spokesman for Coopers' in London said the claim had "come completely out of the blue". "We had no advance notice of any action. We have not been provided with the details of the claim – however we are not aware of any grounds for any claim against us.

"We were not responsible for the collapse of Barings. It collapsed as a result of management failures and fraud. This looks like another example of suing the auditors because they are perceived to have deep pockets regardless of genuine culpability," the spokesman said.

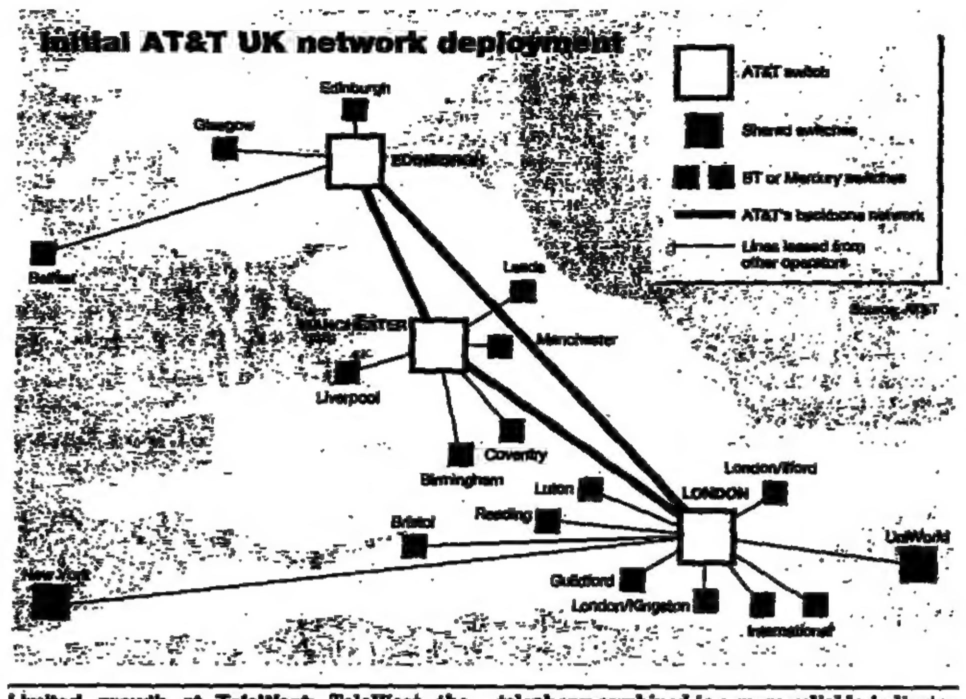
A spokesman for Deloitte Touche in Singapore said the writ was a surprise. "We are satisfied that the audits of Barings Futures Singapore in 1992, and 1993, were conducted with all required professional skill.

"We are also mystified by the claim – since none of the activities that caused the failure of Barings, and the consequent losses, occured while we were auditors. In any event, the writ will be successfully defended," the spokesman said.

AT&T expansion: Regulator's demand for tougher rules wins support

Understatement masks toughness

By Alan Cane in London



When AT&T applied three years ago for a licence to offer telephone services in the UK, it oozed aggression. It was ready, it said, to spend millions of dollars on digging up streets to provide the necessary infrastructure to reach business and residential customers.

But yesterday's announcements of AT&T's plans for expansion in the UK were restrained, even understated. It should not, however, be underestimated by customers or competitors. In the 12 months since it was granted a full UK operator's licence, the company has quietly built an "intelligent" network across the country, leasing circuits and signing interconnection agreements with British Telecommunications and Mercury Communications.

Total investment to date, while undisclosed, runs into tens of millions of dollars. It has installed its own design of large switches in London, Edinburgh and Manchester and more data switches are on the way. All its circuits are duplicated to ensure resilience in the event of faults. A laboratory has been established to investigate advanced switching technology.

Total investment, however, is a fraction of what it would have cost to create new infrastructure. Mr Merrill Tutton, president of AT&T UK, made clear yesterday that it had no plans to build its own infrastructure and that the pace of future investment would be a function of the regulatory environment and the attractiveness of the financial return.

The regulatory regime is a prime issue because AT&T will depend on agreements with other companies for lines and access. The UK is the most open and competitive market in the world with more than 150 licensed operators jostling for position, but competition law is weak. "There is nothing to stop anti-competitive behaviour," Mr Tutton said in support of Mr Don Cruickshank, the industry watchdog, who is seeking sharper teeth to regulate the market.

AT&T aims to offer a full range of services in the UK – at first only to large international customers. It is already offering customers virtual private networks – a way of providing the advantages of leased lines at the cost of an ordinary phone call. For the next six months, customers will be offered the service at no charge as an introductory offer.

In the next year, AT&T expects to bring a range of services with which US customers are already familiar including audio and video conferencing, multimedia, managed bandwidth and freephone and reachout services. Most of these services, it has to be said, are already available from "supercarriers" such as Concert, an international joint venture between British Telecommunications and MCI of the US.

So what is AT&T's unique selling proposition? First, its name. The AT&T brand is recognised globally and has an excellent reputation as a service provider. Second, it plans to offer personalised services based on a computerised customer database which enables AT&T to draw together all the information it has on any particular customer.

Limited growth at TeleWest: TeleWest, the UK's largest cable communications operator, has announced slightly better than expected figures for residential telephone lines, but fewer television subscribers than had been hoped. Some 33 per cent of all homes marketed in the company's franchise areas now take either cable television or a telephone service, "and in the majority of cases, both", said Mr Alan Michels, chief executive.

He argues that the figure for television and telephony combined is a more reliable indicator of progress than the penetration of either on its own. Fourth-quarter operating statistics showed that residential telephone penetration rose 1.9 points to 24.1 per cent year-on-year while television penetration dipped slightly to 21.9 per cent.

This had been caused, Mr Michels said, by high levels of churn – a measure of customers leaving the network – in SBC CableComms with which TeleWest merged last year.

Shake-up ahead for government offices

Further reforms to the government machine were announced yesterday, including a secondment scheme with private companies and a drive to extend outside recruitment into middle management positions, *John Kampfner writes.*

Mr Michael Heseltine, deputy prime minister, made clear he would step up the reorganisation of government departments.

He denied that the changes had demoralised staff or were connected with the increasing number of leaks of government documents from within ministries. But Mr Heseltine warned that leaks were in danger of harming relations between ministers and officials. "They create suspicions which lead to the politicisation of the civil service because politicians are under pressure to withdraw from dialogue with them," he said.

Mr Heseltine announced that a white paper on the training and development of government officials would be published in the first half of the year. Measures would include a pilot scheme involving British Petroleum and the National Westminster Bank group. Graduate recruits in those companies would be offered work experience in ministries, and new entrants to ministries would be seconded to the private sector.

Mr Heseltine made clear that job cuts in the government machine would continue. The number of civil servants has already been reduced to 506,000, 65,000 lower than in 1992, and was expected to fall below 500,000 this year. "I have always believed we need a smaller, better paid civil service," he said.

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Fokker: 'A British disaster, not just a Dutch disaster'

Short Brothers says 800 jobs are at risk in Belfast

By Michael Skapinker, Aerospace Correspondent

While Fokker's troubles have raised most concern in the Netherlands and Germany, British companies stand to be hit hardest. The Fokker 70 and Fokker 100 jets are more British than they are Dutch or German. *Rolls-Royce*, based in the English Midlands city of Derby, supplies the engines; Short Brothers of Belfast the wings; and Dowty, part of TI Group, the landing gear and other components. There are many other UK companies which supply components to Fokker.

One UK aerospace executive said yesterday: "It's a British disaster, not just a Dutch disaster." While Rolls-Royce said it did not think it would have to reduce employment if Fokker collapsed, Shorts said 800 jobs were at risk. But other UK Fokker suppliers have been careful to develop a range of customers to reduce their dependence on Fokker.

Flight Refuelling, which is part of Cobham, the aerospace engineering group, provides Fokker with fuel system components and has been a supplier to the Netherlands company for decades. Mr Robin Clark, managing director, cannot believe the Dutch company will simply disappear.

Nevertheless, Fokker accounts for only 2 per cent of Flight Refuelling's turnover. Mr Clark does not believe any of his 1,000 employees will lose their jobs if Fokker collapses. Other customers include Boeing and McDonnell Douglas of the US and British Aerospace.

But Mr Richard Marton, chief executive of BSG International, said his company realised some years ago that it would be wise to reduce its dependence on Fokker. L.A. Rumbold, a BSG subsidiary, makes aircraft seats, galleys and kitchen equipment for Fokker.

Five or six years ago, Mr Marton says, the Fokker business was worth hundreds of thousands of pounds to BSG. But the UK company began to wonder about Fokker's future as a small manufacturer in the highly-competitive regional aircraft market. "I wouldn't say we were frightfully clairvoyant, but we did have our concerns," Mr Marton said.

Today, BSG's Fokker order book is worth no more than £15,000. The company supplies seats to Boeing and to airlines such as Swissair, Singapore Airlines and Cathay Pacific.

Survival hopes, Page 15

Business warned on EU currency

By Richard Lapper

British businesses are failing to gear up sufficiently to the potential costs of economic and monetary union, the Association of Corporate Treasurers, warns in research published yesterday.

The association, which represents financial risk managers at more than 1,000 companies, also warns businesses that monetary union is likely to occur in some form, with or without British participation.

"While the timetable may well change, it does seem that some form of Emu will happen," said Mr Jeremy Wagener, the association's director-general. "We are putting our members on amber alert because something is going to happen. There may be pitfalls for the unwary."

Many companies have yet to address the practicalities likely to be involved, said the association.

Changes in European interest rates carry potentially serious implications. Rates – and hence borrowing costs – vary sharply, partially reflecting the strength or weakness of national currencies.

After monetary union, debt denominated in weaker currencies, such as the Italian lira, will be converted to the new stronger European currency but repayments will continue to be at the original interest rate, potentially adding to a company's debt servicing burden.

The association also noted legal uncertainties surrounding Emu, pointing out, for example, that the commercial rationale for long-term currency swaps will disappear.

Potential benefits are likely to be long-term and difficult to quantify, including the elimination of foreign exchange transfer costs and an expected decline in the volatility of interest rates.

UK NEWS DIGEST

$1.5bn bill for computer crime

Computer crime could be costing UK businesses up to £1bn ($1.51bn) a year, according to the big insurers, which said yesterday that insurance claims alone are running at £200m a year.

"Taking into account non-insured losses, lost business opportunities, lost production and reduced customer service, the true cost to industry is likely to be much higher than £200m," the Association of British Insurers, which represents larger insurers, said yesterday. The association said some of its members report that computer crime is increasing faster than any other type of crime. Despite an easing in chip shortages, no end appears to be in sight.

It warned that "constant technological changes and increasing demand for computer equipment mean that this crime will continue to rise unless businesses urgently review their security precautions and upgrade them if necessary".

It added that the black market in computers and their parts is growing rapidly because of fluctuations in legitimate supplies, the high value of easily removed and concealed parts such as chips, and the international nature of the market for stolen equipment. *Paul Taylor, London*

Railtrack expects cost-cutting

Railtrack, the owner of the national railway network's track and signalling, says it will be able to cut investment costs by at least 30 per cent as a private company because it will be free to plan in the long term more effectively. The company expects to carry out rail investment projects at least 30 per cent more cheaply than was possible under state ownership, Mr Brian Mellitt, engineering director, said yesterday. This was partly because it would no longer be hampered by the need to plan spending annually.

The past 12 months have been devoted to preparing the company for a stockmarket flotation in May, so little has yet been achieved by cost savings, directors said at the announcement of the company's results for the six months ended September. Railtrack made an operating profit of £151m on turnover of £1.14bn in its first set of interim results compared with a profit of £305m in the year ended March 1995 on turnover of £2.27bn. *Charles Batchelor, London*

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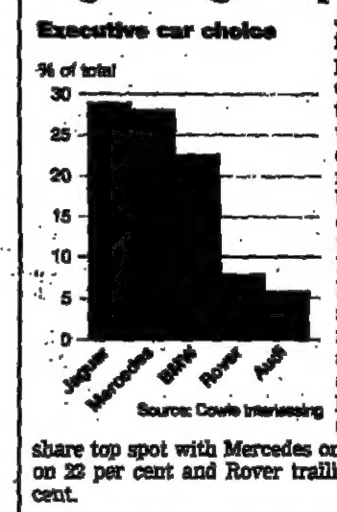
Drug company to cut jobs

Rhône-Poulenc Rorer, the French controlled US pharmaceuticals company, is to cut 140 out of 470 sales and marketing jobs in the UK following its acquisition last October of Fisons, a UK rival. The jobs will be lost from Eastbourne, RPR's UK headquarters, and Coleorton in the English Midlands, a Fisons site. Some sales staff not based at those sites will also lose their jobs.

The job losses do not cover any reorganisation of manufacturing, drug and medical device development and corporate functions of RPR and Fisons in the UK. *Daniel Green, London*

Jaguar regains popularity



Jaguar this year has regained its marginal lead as the company car most favoured by chief executives, according to the Cowie Interleasing group, which operates some 65,000 cars on behalf of UK businesses. Jaguars this year are being chosen by 29 per cent of chief executives compared with 28 per cent opting for Mercedes and 23 per cent for BMWs, according to a Cowie survey of 200 CEOs this month. The Cowie statistics are broadly in line with those of other independent analysts. Last year, according to the Cowie surveys, Jaguar had to share top spot with Mercedes on 28 per cent followed by BMW on 22 per cent and Rover trailing in fourth place with 8 per cent. *John Griffiths, London*

Chancellor upbeat on economy

Mr Kenneth Clarke, the UK chancellor, last night defended his Budget forecast of resurgent consumer spending this year as official figures showing a rapid increase in the amount of money circulating around the economy lent support to his view. But his comments coincided with an unexpectedly downbeat survey of manufacturers by the Confederation of British Industry. This showed business confidence falling for the third quarter in succession and new orders stagnating for the first time in more than two years.

The CBI expects the economy to continue growing at less than its long-term trend rate during the first quarter of 1996. It also expects 23,000 factory jobs to be shed during that period, twice as many as in the previous three months. Nevertheless, Mr Clarke told the British-American Chamber of Commerce that 1996 would be another good year for the economy and that "the pundits who are being more pessimistic will be proved wrong". *Robert Chote, Economics Editor*

Pension reform recommended

An independent inquiry has called for a radical reform of UK retirement benefits that would guarantee higher pensions for lowest earners and compel some higher earners to save for their own pension.

In particular, the Retirement Income Inquiry proposes an "assured pension" that would be much higher than the current basic state pension which it would replace. It would be paid on a graduated scale, with the largest payments going to the poorest people. Also, those who could afford to would be compelled to contribute a minimum amount to some form of long-term savings scheme; either an occupational or personal pension or a new National Pension Scheme set up by government but administered privately. Contributions would be shared between workers and employers according to a formula to be agreed later. *Norma Cohen, London*

Editorial Comment, Page 13

Labour party is shaken by dispute on school choice

By Robert Peston, Political Editor

Comprehensive school: free, state-provided education to a level required by law. No pupil barred from entry on grounds of ability

Grant maintained: a state school which has opted out of the control and budget of its local authority and is funded by the government

Grammar school: largely turned into comprehensives by the Labour party in the 1970s, the survivors are state schools which choose pupils on the basis of academic ability. Labour now opposes any extension of academic selection, but is less clear on what to do with the small number of grammar schools kept by anti-Labour municipal authorities

Public school: the name still used paradoxically for private schools outside the state sector. Unlike in the US, where a public school is a state school, a public school in Britain is highly exclusive, charging fees and setting entrance examinations which often require academic excellence. Public schools are classed as charities which gives them tax breaks

Mr Tony Blair, leader of the opposition Labour party, has staked his leadership on keeping Ms Harriet Harman as his chief health spokesman in the House of Commons, as signs emerged of a damaging split at the top of the party over her decision to send her son to a selective grammar school.

Mr John Prescott, Labour's deputy leader and a reluctant convert to Mr Blair's modernisation of the party, is expected to raise his concern about her choice of school at a shadow cabinet meeting this afternoon, according to his close colleagues. Other shadow ministers said they would do the same.

Ms Harman, the wife of a senior trade union official, is an important supporter of Mr Blair's "modernising" tendency in the party. But it has a long history of opposition to selective schools and most grammar schools were turned into non-selective comprehensives by Labour governments in the 1970s. The Harman incident is seen as one of the most serious for Mr Blair since he became party leader in 1994.

He said in the House of Commons yesterday that he would not "buckle" in the face of pressure for Ms Harman to go. He reinforced the message last night when he told colleagues that it is time to "close ranks" against what he described as the "squalid hounding" of Ms Harman.

He sees the issue as a trial of his determination to reform party policy and make it electable. "We will not give an inch", said one of his friends.

His biggest test is expected to be this morning's meeting of the parliamentary Labour party, when many of the party's MPs will express their fury at Ms Harman. She has refused to leave the shadow cabinet over the school affair, and – in the toughest challenge of her parliamentary career – she is expected to explain her decision.

Several Labour MPs have written to Mr Blair, including the leftwinger Ms Alice Mahon, who said Ms Harman's position was "untenable".

Some front benchers, including a number who have been strong backers of Mr Blair, also showed less than overwhelming support for Ms Harman. It was a "matter for Harriet's conscience whether she resigns", in the words of one.

Mr Blair has been surprised by the depth of feeling in the parliamentary party against Ms Harman, although he blames the media and the governing Conservative party for "blowing the issue out of proportion".

Mr Blair was goaded by Mr John Major, the prime minister, in the Commons over the "hypocrisy" of Ms Harman's choice of a selective school, in view of Labour's opposition to selection in education. Mr Blair replied that "if you think, after the damage you have done to this country, you are going to ride back to popularity on the back of a decision about 11-year-old boys, then you credit the British people with too little sense".

Mr John Major, in his best Commons performance for months, said that the Labour leader had no option but to back Ms Harman. "You certainly can't sack her because all she is doing is playing follow-my-leader", he said, in reference to Mr Blair's decision to send his son to an opted-out school.

Harriet Harman: rejects leftwing calls to quit

Cotton tales

Small farmers are turning their backs on pesticides in favour of organic methods, writes **Caspar Henderson**

Will Allen, a cotton farmer in California's San Joaquin Valley, is one of a small but growing band of US farmers trying to shift production away from synthetic chemicals to organic methods. It is an uphill struggle.

Allen, a life-long farmer, is also head of the Sustainable Cotton Project, an alliance of small farmers supported by environmental groups such as the Pesticides Action Network, developing new, efficient methods of organic production.

In the past 50 years, cotton production has depended heavily on synthetic chemicals. World cotton production, at around 18m tonnes a year, accounts for about 10 per cent of world pesticide use, even though cotton occupies about 0.5 per cent of agricultural land, according to the Pesticides Action Network. Fertilisers and chemicals account for a full third of cotton farmers' costs, according to California's agriculture department.

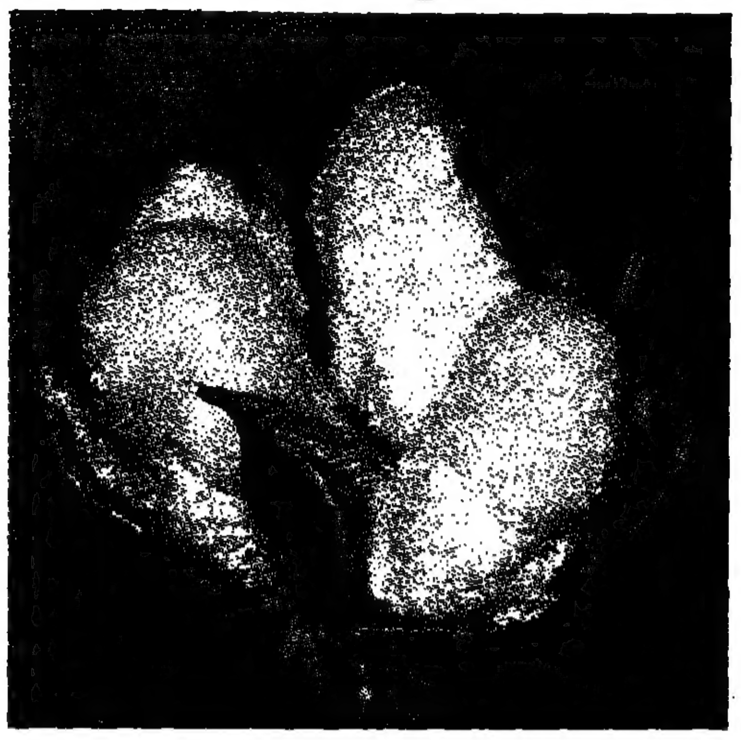
Soil sterilants, fumigants, fertilisers, herbicides and defoliants are also seen as crucial to modern production methods, as is intensive irrigation. But recently there has been growing concern about the environmental impact.

At one farm that uses synthetic chemicals, one of the biggest operations of its kind in the world, occupying nearly a whole Californian county, the cotton plants stretch for miles. But the ground is caked with salt. Drainage ditches reek of chemicals and appear to be devoid of life.

Organic production – without the use of synthetic chemicals and heavy water use – is negligible, mainly because of high conversion costs and a perception of high risk. Organic cotton accounts for no more than one bale in 400 produced in the US, and most mainstream growers and analysts discount it as marginal to a US crop worth about $5bn (£3.2bn) a year.

But, increasingly, more small farmers are turning to organic methods. In 1989 around 100 acres in California were planted organically. In 1994 that number had increased to 15,000. And there are small, pilot projects in many other countries including Brazil, Argentina, Senegal, Turkey and Australia. Allen argues that the high productivity achieved through the use of synthetic chemicals is a short-term gain and that the reality is a toxic treadmill as pests develop resistance. New pesticides can cost millions of dollars to produce, and, with insects developing resistance in 10 years or less, development costs may become prohibitive.

"At first [pesticides] did in fact solve our problems," says Allen, "But now, with the use of ever more toxic chemicals, crop losses of 20 per cent are not uncommon."



J.L. Mason

Organic cotton accounts for no more than one bale in 400 produced in the US

Allen points to other problems: the contamination of ground water and the increasing salinity of the soil due to what he sees as over-irrigation. Local people complain of persistent flu-like symptoms after fields are sprayed, and there are suggestions of a link between cancer clusters and agro-chemicals.

David Guthrie, manager of cotton agronomy and physiology at the National Cotton Council (the main US industry association), says environmental groups exaggerate the damage caused by conventional methods. They "do not use more pesticides than [for] any other commodity . . . historically, cotton used chemicals damaging to the environment, but they have long since been eliminated from the arsenal".

Some analysts pin hope on advances in biotechnology. Genetically-engineered seeds are already being produced, but they are more expensive than conventional seeds. Advocates of biotech production, however, say biotech seed will still need inputs that harm the environment.

Since 1990 several leading clothes manufacturers in the US have produced a few lines made from organic and what is known as transitional cotton (produced with fewer synthetic inputs). One Californian clothing maker is shifting its entire output to organically-produced cottons. Patagonia, a specialist in outdoor wear, will use nothing else in its spring 1996 cotton lines.

It may be a risky step – organic cotton is currently 15-20 per cent more expensive than conventionally-produced cotton. Its garments will cost around 10 per cent more without any apparent difference in quality. Yvon Chouinard, Patagonia's founder and chief executive is convinced the move makes sense: "We're asking our customers to split the difference: to pay a little extra now to save on the clean up bill later."

But, with sales in 1994 of more than $150m, Patagonia is a small player in an industry dominated by giants.

Advocates of natural methods point out that organic production depends on a biological rather than a chemical cycle. Natural insect predators, such as lace wings which prey upon bole weevils, replace pesticides; plants that enhance soil health replace chemicals that kill cotton pathogens. Improved soil structure reduces the need for water so less salt accumulates. But the methods are far from perfect. Substantial crop losses can still occur.

And organic production costs more: as yet there are no economies of scale and labour costs are greater. Weeding and composting requires a large labour force, skilled in organic production methods. Nonetheless, the price difference between organic and conventional cotton has halved in the past two years.

The Sustainable Cotton Project has sought to influence users of the product, as well as its producers, taking representatives of clothing companies into the cotton fields.

Even so, difficulties continue. "Financing has been very difficult at every stage of the production cycle . . . I know growers who have had to leverage their land and their buildings – not just their crops – just to get a loan."

The project invited officials from the US Department of Agriculture to see working organic cotton programmes. Then they turned to the bankers: "The bankers notice what everyone else does: that after years of mining this ground and putting nothing back, life is starting to regenerate this soil."

Organic producers acknowledge that the future of organic cotton lies with the consumer. In Europe, the demand for organic cotton is greatest in Germany, Scandinavia and Switzerland. But, says Jacqui Duff of the Cotton Council International in London (the foreign arm of the US trade association), consumers in the UK, Italy and France show very little interest in organically-produced cotton goods.

Patagonia, meanwhile, is staking its future on change. Chouinard is convinced the company is merely establishing a lead that others will eventually follow.

"It's only one piece in the environmental puzzle. Making organic cotton entails practices that pollute: mechanical pickers guzzle gas, we use harmful dyes and we ship goods too many times at too many stages. All of these issues have to be addressed. But we can switch to organic cotton now."

Look out for red plastic feet

Peter Marsh tells how humour is encouraging many employees to come up with cost-cutting suggestions

The next time you enter an office or factory, look out for red plastic feet stuck on floors or being waved in the air. If you also spot signs proclaiming BAD or QED, you will have wandered into a corporate brainstorming session with a difference.

The red feet and the acronyms were dreamed up in the 1970s by George Schmidt, president of Advanced Management Group, a management consultancy in Napa Valley, California. The idea is to use humour and simple slogans to put employees in the mood to come up with suggestions about cutting costs or improving products or service.

Over the past 20 years Schmidt's ideas have been taken up by more than 6,000 companies around the world, mostly in the US but also including about 1,000 in the UK. The red feet, says Schmidt, are intended as "teasers" to relax people and "engage their curiosity". The acronyms stand for Buck A Day, or the UK equivalent, Quid Every Day. They are meant to ram home that even trival-sounding ideas can improve a business's profitability.

The feet and signs feature in discussions organised by two consultancies which sell Schmidt's ideas on either side of the Atlantic – Service Quality Institute, of Minneapolis, and IML Employee Involvement, based near Bristol in the UK. Under a deal in 1994, Service Quality Institute took on the rights to exploit Schmidt's BAD methodologies, while IML, which previously had a licensing deal with Schmidt, now pays royalties to the Minneapolis business. Companies which have used the concepts include General Motors, Mobil, Harley Davidson, Hambros Bank and the Nationwide building society.

One person who used the Schmidt ideas – transmitted via a six-week programme involving IML last year – is Pam Buckton, operations director of the retail services division of Yorkshire Bank. This division of the UK high street bank has 300 staff based near Hull and handles the credit business of several UK retailers including MFI and British Home Stores.

Buckton says the IML project, which cost about £15,000, helped staff to work together better in teams. It generated 1,200 suggestions from employees about how to improve the business, from making sure the lights were turned off at night to new ways of using computers. The fee covered consultants' time, publicity material, "ideas cards" for encouraging employees to come up with suggestions and hundreds of small prizes such as mugs and pens to reward good ideas. "The cost savings more than paid for the project," says Buckton.

Another fan of the Schmidt-based techniques is Chris Johnson, managing director of the UK arm of BBA Friction, one of Europe's biggest makers of vehicle brake pads. With the help of IML, in 1993 BBA organised a QED programme for its 1,000 employees at its factory in Cleckheaton, near Leeds.

"We had 2,852 suggestions in two weeks, more than we had in the previous five years," says Johnson. He says the project played a big part in a reorganisation at the plant focused on introducing Japanese-style collaborative methods to improve quality and speed up production times.

Behind Schmidt's concepts is the BAD acronym, devised over a lunch in California in the early 1970s between Schmidt and Phil Crosby, then corporate quality director at the industrial conglomerate ITT and now one of the US's most noted quality gurus. "We wanted to translate the idea of cost reductions, which many executives dress up in complex language, into a term palatable to ordinary employees," says Schmidt. The QED slogan was invented later as a way to bring the ideas to the UK.

According to Nick Thornely, chairman of IML, as important as the snappy slogans is getting the atmosphere right at the brainstorming sessions. Managers have to break down the barriers that frequently stop staff coming up with suggestions "for fear either that no one will listen to them or because they think they will make a fool of themselves".

Another crucial aspect, according to John Tschohl, president of Service Quality Institute, is to publicise as widely as possible the suggestions that people come up with.

"Recognition is very important," says Tschohl. "People will work better if they feel they are loved and appreciated, but it's surprising how many companies fail to realise this." The handing out of prizes – even token ones with a frivolous feel – is an important part of the campaign.

Even allowing for the fact that people laugh at different things, the use of jokey themes seems generally to work, Thornely says. He reckons that people put off by the choice of humour are more than outnumbered by those encouraged to relax. Both IML and Service Quality Institute also offer an unusual guarantee. If companies fail to recover the consultancy costs through useful suggestions that emerge, they get the shortfall refunded.

Television/**Christopher Dunkley**

What's blue and puffs? Live TV

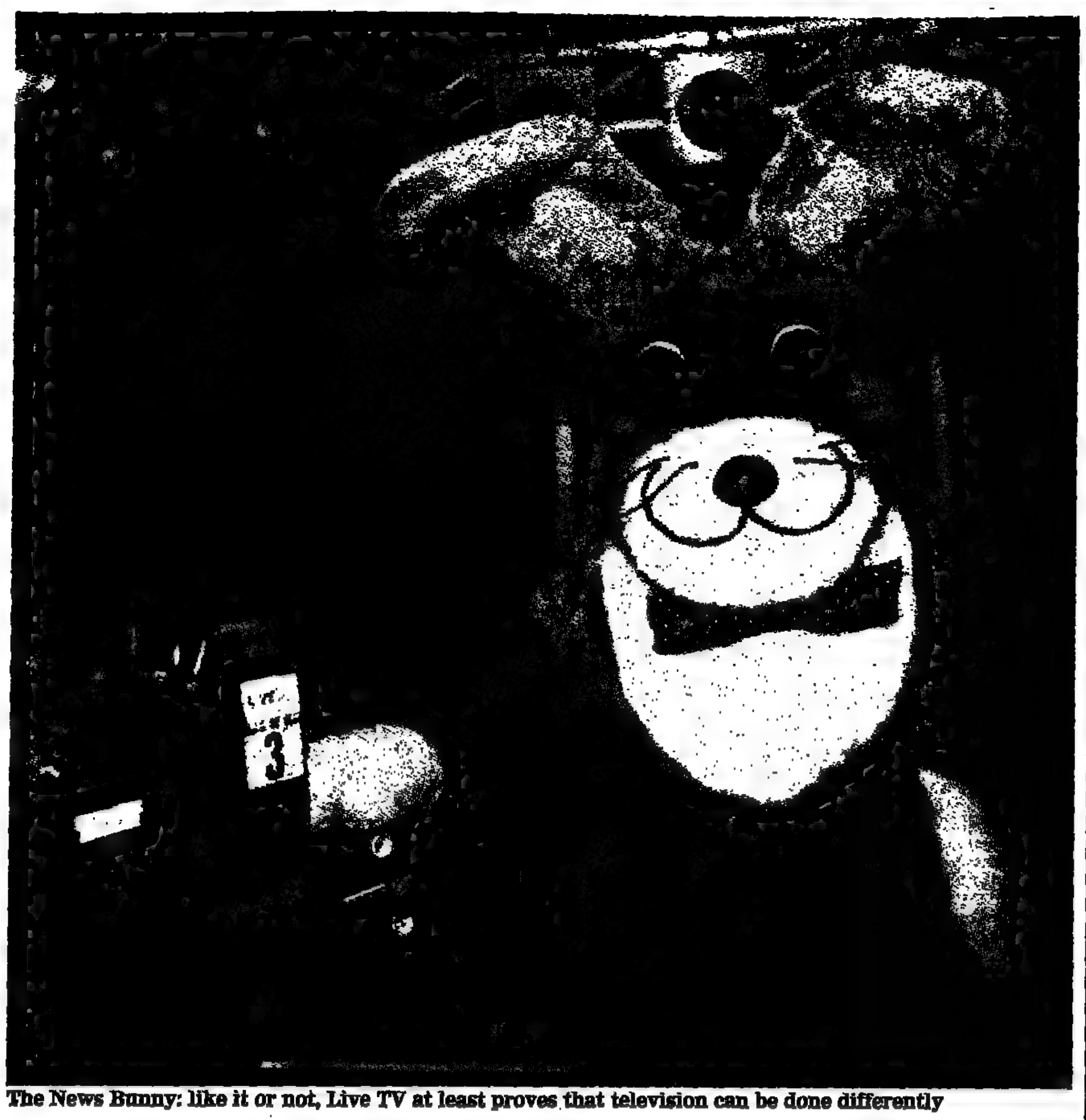
For all the talk about the diversification of television now that the old problems of wavelength scarcity have been sidelined, there has actually been disappointingly little change in programming. True, thanks to the VCR revolution we can now watch at a time that suits us, but what we record are the same old programmes. Video shops rent and sell many movies which would not be screened by terrestrial television, but they were always available in the cinema. Satellite channels show more soccer or films than we ever got from the established channels, but the material does not look any different. How could it? Most of it has been bought from the old channels or from sources which used to supply them, though at prices now hugely inflated (and passed on to us, of course). And cable television has been slow to introduce anything of its own.

So even though you can now receive 46 channels off the cable in north-west London, it all looks pretty much as television always has. Or it did until a couple of weeks ago. Now there is one cable channel which is proving that television can be done differently. Discriminating viewers may find it quite ghastly, but nobody can deny that Live TV is different and, who knows, given the sales of The Sun and the Daily Mirror, it may end up proving remarkably popular.

This is the cable channel launched by Mirror TV under the fine hand of Janet Street-Porter who decided to aim it at 18- to 24-year-old club goers. Since they watch very little television during the day and go to clubs in the evening this looked like a high-risk policy. Sure enough, the moment Street-Porter took a few days holiday her superior, Kelvin MacKenzie, former editor of The Sun, started booting out the rap groups and bringing in rugby league. JS-P came back from holiday and promptly left the station. Now MacKenzie is busy turning it into an electronic version of The Sun, or the nearest that can be managed.

His most notorious innovation has been the television equivalent of the topless "Page Three Girl": *Topless Darts* every night immediately after pub closing time. But the revolution does not stop there. Whereas news bulletins from the BBC, ITN, CNN, and Sky News are virtually interchangeable, all being read in headmasterly tones and pitched at a level somewhere between the Daily Mail and Daily Telegraph, the bulletins on Live TV aim for a tabloid audience. They are brief, "personality" biased, and much more likely to be about the lottery than about Bosnia. What is more, just behind the news reader's right shoulder sits News Bunny, an actor in a rabbit outfit who gives a thumbs-up for good news and drags his ears down over his face for bad. Last week he also swigged from a bottle during one bulletin and nipped up a step ladder to change a bulb during another. The news ends with *People* which lasts about two minutes and contains gossipy items about the likes of Patsy Kensit, Richard Branson, and Madonna.

We have talked blithely in the past about the arrival of "tabloid television" without realising how modest were the changes before us. Now we have the real MacKenzie we see what tabloid television can really mean. The soap opera *Canary Wharf* which is shown at 5.00 pm with repeats at 9.00 pm and then 10.00 am the following morning, is promoted with the promise "You're never more than five minutes from a snog". Superstition plays a big part in the schedules. There is *Weird Night, Fate And Fortune* ("if you'd like yer runes read"), *The Mysterious West* which looks for ghosts in Cornwall, and a whole raft of programmes in which people with funny clothes read tarot cards ("Have you actually gone into a new area of work in the last year?" – "No" – "Well let me open up on that a little bit..."). And there is astrology in *Russell Grant's Age Of Aquarius*, though he, too, now reads the cards.



The News Bunny: like it or not, Live TV at least proves that television can be done differently

Although the BBC brought us the Princess Diana interview, mainstream television has generally handled the troubles of the royal family with kid gloves. Not so Live TV. On Monday they gave us *Diana, The Marriage Breaker* with the promise of *Camilla – Portrait Of A Mistress* to come, with material at least as explicit as what you find in the tabloid papers, including extracts from the notorious "Squidgie" and "Camillagate" tapes. At night there is *The Sex Show* which readily displays stills from top shelf magazines, and *Stand Up Live* in which comedians such as Steve Boardman and Mike Reid tell the bluest jokes ever heard on British television. (Only one from the whole of their two acts could be re-told here: did you hear about the dyslexic pimp? He bought a warehouse).

Though the chattering classes may sneer at tabloid newspapers you rarely hear it suggested that they should be suppressed and, since cable can accommodate a virtually infinite number of channels, there seems no reason to object to the existence of Live TV. What should be said, however, is that there is a fundamental difference – so far, anyway – between the tabloid versions of the two media. Whatever people may have thought of The Sun under MacKenzie's editorship it was supremely professional. Its leaders were a lesson in terseness. Its headlines, though prohibitively brief, combined accuracy and wit. Much of it may have been vulgar and trivial but that was the intention and the level of entertainment throughout was high. From the splash to the sports briefs it reeked of expertise.

The same cannot be said of Live TV. While Page Three girls, whether or not you approved of them, were good-looking and extremely well photographed, the women in *Topless Darts* are often homely, at best, and drearily filmed (on cloudy days on Bondi Beach for some reason). Watching *Canary Wharf*, set in the offices of a television company and shot in the offices of Live TV, makes you realise that *Crossroads* and *Prisoner Cell Block H* did not, after all, get anywhere near the nadir of soap opera. Much of Live TV consists of puffery: people promoting their books, diets, songs, magazines, without even a pretence at critical scrutiny or journalistic challenge. Much of it simply looks like prolonged advertising, especially the clips from forthcoming films and video releases which are shown over and over again.

No doubt MacKenzie's budget compares poorly with those in mainstream television, but the pictures all come out on the same screen at home and, given that you pay a premium to receive cable, most viewers will not be rushing to make allowances. Highly professional tabloid material is one thing, but laughable tabloid material is something very different.

Music in London

Heartlifting Holzmair

For the Austrian singer Wolfgang Holzmair's recital at the Wigmore on Friday, it was standing-room only. Should you hear his recent Philips CD of Schumann's *Dichterliebe* cycle and the op. 24 *Liederkreis*, it will explain why.

A deceptively plain address; an appealingly personal, non-heroic timbre; unstinting devotion to putting the words across with transparent sense (thereby fulfilling every good composer's intentions); but no attempt whatever to copy the reverent, almost hieratic style of the just-past generation of singers when tackling the classics. Just now, Holzmair's style is a simple, heartlifting tonic.

Schubert and Schumann wrote a few songs for soprano and bass, but mostly they settled for a middle-voice, usually masculine, in a middling range – accessible to most voices, without extremes of high or low. Modern singers, however, are pressed to choose early to become tenors *or* baritones, at the expense of cross-range singing. (Even in his 20s Olaf Baer, for example, refused to risk the top A in "Ich grolle nicht", which *Dichterliebe* crucially needs.)

Holzmair is a true *baryton-Martin*, as Andrew Clark remarked here last week: a voice-type named after a turn-of-the-19th-century French singer who could reach up easily into "tenor" territory, and further into falsetto-range. Such voices combine baritonal warmth and depth with the ring of vulnerable youth – ideal for Debussy's Pelléas, but also for the great Schubert and Schumann cycles.

This time Holzmair gave us ten Schubert songs, from the winsome "Taubenpost" to the Gothic horrors of "Der Zwerg", all deeply felt but blessedly free of cut-glass "interpretation".

He boasts good French, rare among German baritones, so after the interval he and his energetic accompanist Gérard Wyss moved on to Duparc and Fauré. There, the sentiments were more confident than the style. In Duparc's *svelte*, rippling piano-parts Wyss was inclined to splash; and in the dewy *La Bonne chanson* there was so much impetuous passion, so many sudden surges and abrupt wilts, that Fauré's own seductive smoothness and balance were rudely compromised.

Half the charm of Fauré lies, after all, in the way that intense feeling emerges from his delicately modelled structures. Bumps are not allowed; they would throw the mechanism out of gear. In this music, one would like to hear Holzmair paired with some old-fashioned, well-schooled French pianist: it would do him good, without dampening his natural ardour.

David Murray

Hamelin plays Lizst

Marc-André Hamelin, the French-Canadian virtuoso, has clearly found his audience as well. The Wigmore Hall was also packed last week for his all-Liszt recital. Until now, his London appearances have mostly directed his astonishing powers to rare, out-of-the-way pianist-composers like Charles Alkan; but his Liszt programme offered a broad conspectus, from the brilliantly superficial Hungarian Rhapsodies – mostly on "gypsy" themes concocted by composers of the previous generation – to the late, visionary experiments.

About those last, I share Charles Rosen's opinion: seriously interesting but not greatly significant, whereas a lot of Liszt's earlier, *flashier* pieces are (like it or not) imperishable contributions to the piano repertoire. Hamelin dealt with them all, *flashy and* late-experimental, quite even-handedly. He spelt out his Hungarian Rhapsodies – nos. 10, 13 and 2, if you want to know, though it hardly matters – with intense conviction: gorgeously rich, balanced sound in each "lassu", the languidly sexy opening, and then a brilliant dash-away in the "friss", where anything goes as long as it is exciting. Sensational *glissandi*, under perfect control; incisive rhythmic snap and pounce; wonderfully precise, crystalline sound.

Hamelin threw a monkey-wrench into the hoary old 2nd Rhapsody, *sans* any warning in the programme: in its later, over-the-top stages, it sprouted polytonal wings in mad, dissonant profusion. We seemed to be hearing Nancarrow or William Bolcom.

The piece eminently deserves that treatment, but whose was it? Hamelin's own? He made a chiaroscuro idyll of *Waldesrauschen*, and among the late pieces "En rêve", new to me, proved a ravishing study in early Impressionism. With masterly calculation, he expanded the *Don Juan* Fantasy (on *Don Giovanni* themes) to its full stature. Among his encores was a Medtner "Fairy Tale", played with flawless feeling and delicacy.

The recital was surely planned to display not only – and not all that often – his extraordinarily agile fingers, but his sober, judicious musicianship and his refined control of touch and sonority. It did that, and we were roundly impressed all over again. This is an artist who goes on fulfilling his tremendous promise, and keeps promising more. A few of his bass octaves went wrong, uncharacteristically; my pianist-guest admitted to drawing some blessed relief from that.

D.M.

Opera in Frankfurt/**Andrew Clark**

Samson and Delila join the beau monde

The Frankfurt Opera is recovering from one of the most difficult periods in its long and distinguished history. Just over a year ago, it was threatened with closure for half the 1995-6 season. The city's coffers were empty, the culture budget had been slashed and the company was divided about how to counter the threat to its existence.

The worst now seems to be over. Divisions have healed, the general mood is constructive. A campaign to solicit private contributions for new productions met an enthusiastic response, and the season has gone ahead as planned. Money is still a problem. Only 100 performances are scheduled – about the same as last year, but *half the number of 10 years ago*.

There is no longer a resident ensemble: the "company" now consists of an under-utilised orchestra, chorus and back-up staff, working in a perfectly equipped theatre which remains dark for two-thirds of every month. But they are making the best of straitened circumstances. The repertory is interesting, standards remain high and there are full houses.

The hero of the hour is the Frankfurt Opera's artistic director, Sylvain Cambreling, who could easily have walked away when his initial ambitions were not fulfilled. He has used the longer rehearsal periods profitably, waived his fee for some performances and become the public face of the company. In doing so, he is continuing a tradition that extends back through the Gielen and Dohnányi eras to the 1950s, when Solti was *Generalmusikdirektor*. Conductors have always been the key to the Frankfurt Opera's reputation, and Cambreling is no exception.

The latest addition to the repertory is *Samson et Dalila*, a work which first came to life at Weimar (thanks to Liszt) but is now rarely played in Germany. Cambreling's experience with the score – he conducted an acclaimed staging at Bregenz in 1988 – was crucial to the production's success. It was played without an interval, allowing Saint-Saëns's music to spin a web of mesmerising colour and symphonic coherence. Within this frame, Cambreling paced each scene with unerring skill. The luxuriant choruses were particularly well blended, their seductive solemnity redolent of both *Parsifal* and *Les Troyens*.

Unlike those two masterpieces, *Samson et Dalila* lacks dramatic or philosophical depth. That did not stop the Frankfurt producers, Veit Volkert and Barbara Mundel, from throwing their own interpretative blanket over the biblical setting. The plot was moved to Paris in 1870, the period of the opera's composition.

The Hebrews became bloodthirsty Communards, the Philistines a top-hatted, frilly-knickered *beau monde*. Samson was a Napoleonic rabble-rouser, Delilah a *belle-époque* whore, while the High Priest orchestrated events like a Mephistophelian pimp. Together they inhabited a world of sex, crime, ballet and bathos – a *mélange* of associations as Offenbachian as they were often mystifying.

But on its own terms, the production developed an enthralling, indefinable sweep. It was greatly helped by Hermann Feuchter's single set – a cavernous salon-cum-gunroom – which adapted itself imperceptibly to the needs of each scene. The detail had been meticulously rehearsed, and all was subsumed into the larger picture. Instead of contradicting the music, the action seemed to evolve *out of it* – above all in the bacchanale, a delicious send-up of period manners.

At first sight, Hubert Delamboye and Margit Neubauer made a decidedly unromantic couple. Delamboye's Samson was stockily unheroic, while Neubauer's ripe, rouged seductress resembled a vamp. But they quickly established their authority, he summoning the necessary vocal heft and she singing with plenty of sap. Philippe Rouillon was a High Priest of sinister authority, and every *other* part was strongly cast. From start to finish, the performance was a virtuoso display of theatrical imagination, worthy of the traditions of the house.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

ONCERT
oncertgebouw
l: 31-20-5730573
● Robert Schumann Ensemble: rform works by Bruch, Schubert, vel and Franck; 8.15pm; Jan 30
AZZ & BLUES
mhuis Tel: 31-20-6233373
● Ab Baars Trio and Steve Lacy: xophonist and clarinetist Ab ars, double bass-player Wilbert Joode and drummer Martin van ynhoven join forces with orano-saxophonist Steve Lacy; m; Jan 26

BERLIN

NCERT
ilharmonie & Kammermusiksaal
: 49-30-254880
● Sinfonie Orchester Berlin: with nductor Jon Bara Johansen, linist Naoko Ogihara and pianist ung-Hee Hyun perform Grieg's er Gynt Suite" and Sibelius' landia"; 8pm; Jan 27
NCE
atsoper unter den Linden
Tel: 49-30-2082861
● Le Concours: a choreography by Maurice Béjart to music by Hughes Le Bars, performed by the Ballett unter den Linden; 7.30pm; Jan 26, 27, 28 (6pm)
OPERA & OPERETTA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists include Reinhard Hagen, Amanda Halgrimson, Carol Malone and Gerd Feldhoff; 7pm; Jan 27

■ BONN

OPERA & OPERETTA
Oper der Stadt Bonn
Tel: 49-228-7281
● La Rondine: by Puccini. Conducted by Eugene Kohn and performed by the Oper Bonn. Soloists include Hasmik Papian and Birgit Beer; 8pm; Jan 26

■ CHICAGO

CONCERT
Orchestra Hall Tel: 1-312-435-6666
● Chicago Symphony Orchestra: with conductor Daniel Barenboim and pianist Martha Argerich perform Liszt's "Piano Concerto No.1" and Berlioz's "Symphonie Fantastique"; 8pm; Jan 27

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Chamber Orchestra of Europe: with conductor Pierre Boulez, mezzo-soprano Wendy Hoffman and flutist Jacques Zoon perform works by Stravinsky, Mahler, Boulez and Bartók; 8pm; Jan 25

■ FRANKFURT

EXHIBITION
Städelsches Kunstinstitut
Tel: 49-69-605098-115
● Wege zur Abstraktion: sculptures from the museum collection by artists such as Rodin, Renoir, Archipenko, Calder and Beuys; to Jan 28

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Symphony No.1 in A-flat: by Elgar. Performed by the Guildhall Symphony Orchestra, conducted by Cristopher Seaman; 1pm; Jan 26
Wigmore Hall Tel: 44-171-9352141
● Borodin String Quartet: perform Tchaikovsky's "String Quartet No. 2", R. Schumann's "String Quartet No.3" and Schubert's "String Quartet No.12 (Quartettsatz)"; 7.30pm; Jan 25
OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Les Pêcheurs de Perles: by Bizet. Conducted by Emmanuel Joel and performed by the English National Opera. Soloists include John Hudson and Elizabeth Woollet; 7.30pm; Jan 25, 27

■ LYON

OPERA & OPERETTA
Opéra de Lyon Tel: 33-72 00 45 45
● Die Zauberflöte: by Mozart. Conducted by Kent Nagano and performed by the Opéra de Lyon. Soloists include Christiane Oelze, Veronica Cangemi, Natalie Dessay and Thomas Mohr; 5pm; Jan 27, 28

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● American Symphony Orchestra: with conductor Leon Botstein and cellist Yo-Yo Ma perform works by Schoenberg, Goldschmidt and Mendelssohn; 8pm; Jan 26
EXHIBITION
Whitney Museum of American Art
Tel: 1-212-570-3600
● Beat culture and the New America: 1950-1965: this exhibition of more than 200 objects, including paintings, sculpture, film, installations, music, books and original manuscripts, examines the artistic legacy of the Beat Generation. The writers Jack Kerouac, Allen Ginsberg and William Burroughs met in New York in 1944 and became catalysts for the Beat movement, that denounced militarism, McCarthyism and the complacent affluence of the Eisenhower family values. Along with the poetry and literature of that time, new art forms like Assemblage, Happenings, installation art, and independent cinema will be shown in the context of the Beat era; to Feb 4

■ PARIS

CONCERT
Maison de Radio France
Tel: 33-1 42 30 22 22
● Orchestre Philharmonique de Radio France: with conductor Herbert Böck, the Choeur de Radio France, pianist Sylvie Carbonel, soprano Cornelia Hosp, tenor Kurt Azesberger and baritone Stephen Varcoe perform works by Prokofiev, Mossolov and Schubert; 8pm; Jan 27

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Lynn Harrell and Bruno Canino: the cellist and pianist perform works by Stravinsky, Prokofiev, R. Schumann and Beethoven; 8.45pm; Jan 26

■ SALZBURG

EXHIBITION
Rupertinum - Salzburger Landessammlungen
Tel: 43-662-80422336
● Oskar Kokoschka: exhibition of preliminary sketches that Kokoschka (1886-1980) made for his series of 16 lithographies based on Shakespeare's drama "King Lear" (1963); to Jan 28

■ STOCKHOLM

OPERA & OPERETTA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Lolita: by Schedrin. Conducted by Markus Lehtinen and performed by the Royal Opera Stockholm. Soloists include Lisa Gustafsson, Per-Arne Wahlgren, Björn Haugan and Laila Andersson-Palme; 7pm; Jan 26, 29, 31

■ STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart
Tel: 49-711-20320
● Fidelio: by Beethoven. Conducted by Robert Spano and performed by the Oper Stuttgart; 7.30pm; Jan 25

■ WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● The Touch of the Artist: Master Drawings from the Woodner Collection: this exhibition of 114 drawings honours the late Ian Woodner, who over the course of 35 years formed a major collection of old master and modern drawings. Spanning more than five centuries, the Woodner collection presents the history of modern European painting from its first flowering in the early Renaissance through most of the major styles and schools of succeeding centuries until 1900. Centerpiece of the early Renaissance collection, which includes works by artists such as Leonardo da Vinci, Raphael and Albrecht Dürer, is a giant page from Giorgio Vasari's "Libro de' Desegni" (Book of Drawings), onto which Vasari mounted 10 fiteenth century drawings; to Jan 28

■ ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
● Les Contes d'Hoffmann: by Offenbach. Conducted by Franz Welser-Möst and performed by the Oper Zürich. Soloists include Elena Mosuc, Gabriele Lechner and Francisco Araiza; 7.30pm; Jan 25

WORLD SERVICE

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10.00
European Money Wheel
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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Ian Davidson

A divisive destiny

The European Union is split between countries which want to join economic and monetary union and those hostile to it

Scepticism over the plan for Economic and Monetary Union in Europe is in vogue again, following last month's public sector strikes in France; the budget overshoot and rising unemployment in Germany; and indications of an economic slowdown in Europe generally.

Jacques Delors, ex-president of the European Commission and a leading architect of the Emu project, now doubts that monetary union can happen on schedule. Marc Viénot, a top French banker, is pessimistic: he describes as "negligible" France's chance of bringing down its budget deficits to the Maastricht treaty limits in time to join a single currency on January 1, 1999.

True sceptics go further: Emu is now in jeopardy, because electorates will not stand for budget deflation at a time of slower growth and rising unemployment. Since the only thing holding the Germans to this unwelcome project is the treaty deadline, they argue, any slippage in the timetable may be fatal to the whole project.

But do the sceptics take enough account of the political impetus behind the Emu project? The Maastricht criteria may well have become more difficult. But what would be the *political* consequences for the European enterprise, and for relations between the core member states, if Emu were to be abandoned? The answer can be summed up in one word: horrendous.

Is it conceivable that core countries would allow the Maastricht treaty to be discarded before it has been tried? Could the German Bundestag deliberately renege on a treaty commitment? Would the French National Assembly really decide to reject the Maastricht criteria, if it meant continuing to submit, for ever, to German monetary dominance in Europe? If these are the choices, it seems to me the answers are self-evident.

Christoph Bertram, former director of the International Institute for Strategic Studies, and now diplomatic editor of the German weekly Die Zeit, takes a robust view. In a new pamphlet*, he writes: "Germany and France have a strong interest in maintaining their special relationship... The most prominent example will be their participation in the core group of the countries moving to the third phase [the single currency] of European Monetary Union.

"It is inconceivable," he adds, "that France and Germany will not be among the founding members of this group... monetary union will be the core of political union."

The main danger in monetary union is not that it may not happen but that it may split the EU politically from top to toe. The sceptics cite the economic difficulties. But the deep divide is not between those which can, and those which cannot, meet the Maastricht criteria. It is between those which want to take part, and those which are quintessentially hostile.

This is clearly the dividing line which most preoccupies Kenneth Clarke, Britain's pro-European chancellor of the exchequer. Because of the Conservative party's deep antipathy to Emu, as well as to all far-reaching European integration, Britain is currently locked into a posture of effective hostility. The question is this: is Britain's long-standing antipathy to the European enterprise so deeply embedded in the national consciousness, and so sharply etched in the minds of Britain's partners, that it has now become a part of the national destiny, from which there may be no escape?

In short, will Emu be the touchstone for an irrevocable beginning of the parting of the ways between Britain and its major partners in the European Union?

Last week Mr Clarke wrote to fellow EU governments seeking reassurances that those countries which do not join Emu at the start will nevertheless continue to have full access to the single market, and be able to join later without penalties.

No doubt his official answer will be dusty and evasive: the terms and conditions of Emu are clearly set out in the Maastricht treaty. This means: the Maastricht economic criteria; making the Bank of England independent; and maintaining a stable exchange rate, inside the Exchange Rate Mechanism, for at least two years.

The British government argues that the ERM scarcely exists any more because it no longer has a narrow fluctuation band, and has vowed never to go back into it. But since the German Bundesbank will call for total compliance from even the keenest candidates for membership of Emu, it is hard to imagine why it should bend the treaty to make life easier for Britain. For France? Perhaps. For Belgium? Conceivably. For Britain? Never.

Indeed, some people in Germany now want to add a new unofficial criterion to the Maastricht treaty: a sufficiently pro-European attitude. After 23 years of membership, Britain is still an alien body in the European enterprise, viscerally antipathetic to the aspirations of founding members. Monetary union is a partial enactment of those aspirations; and it will require a great deal of common political understanding.

By now, other governments have given up hoping that this British government would come round to their point of view. So if, by chance, it suddenly decided it wanted to join Emu, no-one should be surprised if it were kept waiting for two years' apprenticeship in the ERM.

Of course, the Conservatives may not be in power for ever. This raises the question of whether British antagonism to Europe is a Conservative problem, or is it a general British political problem?

Britain's trade union leadership in the TUC has just approved a policy document endorsing monetary union in Europe, at least partly because a united Europe, with its social chapter, seems to offer the best hope of preserving the European social model of social democracy. But Tony Blair's New Labour party remains studiously equivocal on the issue, as on Europe in general. "Labour's albatross," says a trade unionist, "is its short-termism". But perhaps the reality is that Euroscepticism is endemic in the UK.

Kenneth Clarke: seeking reassurance

**Europe in the Balance; by Christoph Bertram; Carnegie Endowment, Brookings Institution, Washington DC*

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Japan may have been slow to catch Internet fever but it will make good its promise in 1996

From Mr Michael Beirne.

Sir, As so often when the west chooses to poke fun at Japan for being behind the times, there is both reasonable justification for such criticism as well as reason to believe that the situation is changing fast.

It is indeed true, as your article "Drowning, not surfing" (January 22) states, that for many years access to the Internet from Japan was restricted mainly to universities and research facilities (the same was true in the US and Europe). Moreover, the small and fractured personal computer market in Japan made the situation worse. Expensive, proprietary PC and word processor architectures prevented access to graphical user interface-based networks, such as the worldwide web.

But all that changed in 1995. The centre of the PC market shifted clearly to Windows and IBM-compatible PC architecture. Prices of PCs came in line with world averages and the PC market experienced tremendous growth. Membership in network services like Fujitsu's NIFTYServe and NEC's PC-VAN each topped more than 1.5m subscribers. Together, the two largest networks added more than 100,000 new members every month.

If 1995 was the year of the Internet in the US, 1996 holds similar promise for Japan. Graduates joining my own company this Spring will be required to study their English – the language of the Internet. And they will get that news by e-mail, which everyone now has access to, or when visiting the Fujitsu WWW server – which attracts more than 2m visits each month. Japan may have been slow to catch Internet fever, but the bug is spreading fast.

Michael Beirne,
public relations,
Fujitsu,
1-6-1 Marunouchi,
Chiyoda-ku,
Tokyo 100,
Japan

Danger of TV monopoly buyer

From Mr Colin Browne.

Sir, Lex "UK sport, January 18) misses the point about television coverage of sports in the UK. The real danger is domination of sports by a monopoly buyer – to the detriment of viewers, listeners and the sports themselves.

The 1990 Broadcasting Act allows all sports events to be bought by a subscription sports channel like Sky Sports. The eight listed events are only prohibited from being sold to a pay-per-view (pay-per-event) basis – though pay-per-view does not yet exist here, six years after the legislation.

In other words, if England were playing Germany in a World Cup final at Wembley, BSkyB could buy the rights and viewers in England would only be able to see the game by buying a dish and taking out a subscription.

There are only a few events most viewers would see as of crucial national importance, and only a few that should therefore be protected by listing to ensure viewers can see them on free-to-air channels.

More importantly, there is a way of freeing sports from the predatory behaviour of a monopoly buyer. That can be achieved by ensuring that for other, non-listed events, live TV rights, live radio rights, and TV highlights have to be sold separately.

No sport could be compelled to bundle all rights together because one media owner demands it. That would enable sports bodies to earn the maximum for their events while guaranteeing viewers and listeners the right to see or hear some coverage of their favourite sports on free-to-air channels. In other words, a win-win situation.

Colin Browne,
director of corporate affairs,
BBC,
Broadcasting House,
London W1A 1AA, UK

A comforting but illogical notion

From Mr David Morgan.

Sir, As a Briton managing a company in Switzerland, I read the article by Professor John Kay ("Social life of the markets", January 17) with interest. I too am troubled by the question of whether the Thatcher revolution went too far.

I must, however, take issue with one of Prof Kay's proposals for a more "inclusive" society: that companies have a responsibility to develop employees, independent of whether such development is expected to lead to profits. He implies that Switzerland and Germany somehow manage to achieve this.

It is a warm, comforting notion, but follow the thought to its logical conclusion: the chief executive who stands before his shareholders to justify a big training initiative, without being able to say that he believes it will lead to profit now or in the future. I am quite sure that chief executive would last no longer in Switzerland than in the UK, and rightly so.

I see nothing wrong in a business model built on a congruence of interest between a commercial organisation and its employees: a healthy company and good people will share the drive for personal development. This development, alongside a successful and fulfilling working life, will lead to a certain loyalty on the part of the employee; to a certain "warmth" in the organisation.

But if the congruence of interest no longer exists, for whatever reason, then the time has come to part company. Further development must be sought elsewhere: a viciously (strong, but correct adverb) competitive world leaves no other choice.

David Morgan,
Seestrasse 8,
CH-8702 Zollikon,
Switzerland

Doubts over presentation of Maxwell case

From Mr Greg Jeffreys.

Sir, One reads with interest the outrage against the UK's Serious Fraud Office in its failure to convict the Maxwell defendants. Is this logical? How do observers know the SFO made such a poor case? After all, the number of charges was kept efficiently low.

Why don't the lawyers share this baleful spotlight? If the jurors cannot understand the issues – and after 80 days of prosecution, who on earth could? – one must doubt the lawyers' abilities to understand and represent the information cogently.

Surely any intellectual process which is effectively rewarded for being prolix will be self-polluting? Imagine a self-regulating model whereby pigs determine both the richness and frequency of their meals. What outcome would we suppose? Barristers seem to glory in a persona with which the ordinary juror can achieve minimal empathetic communication (although it may well serve to keep the fob watch and half-moon spectacle industries alive).

Perhaps there is a case for another kind of specialist? A cross, say, between accountant and professional communicator who can go to the quick of a case and help the barrister communicate more effectively.

It would be an unfortunate day indeed if trial by jury failed. The traditional cry of "heads must roll" would be better replaced by a resolve to learn from experience.

Greg Jeffreys,
Bromham Hall,
Bromham, Bedford, UK

A poor policy for prisons

From Mr E.A. Kennington.

Sir, I could understand the announcement of cuts in the budget and staffing level of the prison service in the UK if the government's policy were to reduce prison numbers, so that a smaller prison service was required. However, the government's consistent rhetoric has been to be tough on crime and to lock more prisoners away for longer. This means asking the prison service to do more and more.

There seems to be a disconnection between the government's policy of financial cutbacks and the increase in activity it is requiring. It is very nice if you can obtain progressively more and more service for less and less cost, but on the whole the world is not like that. I fear that if the level of activity required from the prison service and its level of funding are not kept in balance, the consequences could be more riots, more escapes, and more re-offending.

Alasdair Kennington,
Lower Flat,
40 Acton Street,
London WC1X 9NB,
UK

En anglais s'il vous plaît

From Mr Graeme Livingstone-Wallace.

Sir, I refer to your story about French authorities ordering Body Shop to desist from selling products unless they are labelled in French ("Body Shop hit by French move", January 20/21). Can we assume that all French wine sold in the UK will now come with a full English language translation? If not, why not?

Graeme Livingstone-Wallace,
1800 Vevey,
Switzerland

Dazzled by prosperity

Vietnam's growth rate disguises the gap between cities and rural areas, says Peter Montagnon

With economic growth again about 9.5 per cent last year and inflation edging down slightly to 12.7 per cent, Vietnam has another good economic year behind it. But as the Communist party prepares for a thorough policy review at its eighth congress this summer, a central issue is whether high rates of growth alone will suffice for the longer term.

Indeed, it might be worth settling for a slightly lower overall growth rate if the spread of the country's economic activity could be improved. Vietnam's growth numbers dazzle, but its performance is strikingly uneven. According to the UN Development Programme, growth in the south-east region around Ho Chi Minh City averaged 17.5 per cent in the first three years of this decade; in the poor south central coast it was a mere 1.7 per cent.

The World Bank reckons that about half the country's 75m people still live in absolute poverty, 90 per cent of them in rural areas. Vietnamese economists say annual per capita income in Ho Chi Minh is more than $900 but in the poorest regions it is just $120.

Unless Vietnam can find a way of correcting this imbalance, it risks social and environmental problems in its cities which might eventually choke growth altogether.

The problem is not unique. Slow growth rates in rural China have sent scores of millions of unemployed migrant workers into the towns. The concentration of Thailand's growth in Bangkok has gridlocked traffic and brought alarming levels of pollution.

The Thai example is particularly instructive. The benefits of growth in Bangkok have been slow to trickle down to the rest of the country. Thailand wants to push economic activity out into the provinces as a means of relieving the pressure on Bangkok, but there are severe obstacles.

The provincial infrastructure is weak, local governments are not strong enough to supervise the process, and the workforce lacks the relevant skills.

At this relatively early stage of its development, Vietnam has a chance of avoiding the worst of these problems. But the question with which the party congress must grapple is how to steer economic policy in the right direction. The temptation for some conservatives at the congress might be to slow down reform altogether and fall back on the more familiar instruments of central planning.

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There is an important role for government in helping to bring growth to the countryside, but such government action would not necessarily be incompatible with a free-market approach.

Vietnam's rural economy received a boost in the early stages of reform with the decollectivisation of farming, which helped boost output to the point where the country is now the world's third-largest rice exporter.

But more expenditure is required on health and education to improve the well-being of the population and enhance its skills. Infrastructure has to be improved, with more roads to connect remote areas with the rest of the country.

All of these require money, but other desirable measures are more a matter of deregulation.

One priority is to ensure that small private farmers have fair access to credit. A start has been made with the launch this month of the depressingly named Bank for the Poor, an offshoot of the state-owned Vietnam Bank of Agriculture.

Vietnam also needs to develop small and medium-sized business in the countryside. So far it has nothing to compare with the township and village enterprises which have helped absorb surplus labour in China.

To thrive, however, a small-business sector needs free competition. That means preventing the best land and cheapest capital going to influential but inefficient state enterprises.

It is true that Vietnam's state-owned enterprises, unlike those of China, are not a large drain on the economy. Their share in output has even been growing, partly because their privileged position allows them to cut the best deals with foreign investors. But the risk of not pursuing reform in this area is that state enterprises will end up absorbing too many resources, thereby thwarting development of the private sector.

There may be more immediate kudos in establishing prestige industries, such as cement or steel, than in promoting private-sector employment in the countryside. And in the short term, big investments help to increase the economic growth rate. The short-term returns on urban industrial projects can be three times those on rural ventures, according to some local economists.

Putting resources into health, education and infrastructure pays off much more slowly, but it is necessary to secure sustainable growth for Vietnam in the long term.

This lesson applies to other Asian countries too. Growth cannot proceed indefinitely simply by investing more and more in factories. At some stage it may have to pause while social and infrastructure problems are tackled.

The government has to provide the right environment, but that is not just a question of planning. It must also develop institutions strong enough to enforce market principles.

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The challenge facing Spain

Spain's general election on March 3 is expected to lead to a change of government, with a victory for the Popular Party of Mr José María Aznar over the Socialist party of Mr Felipe González, the prime minister since 1982. Elections may be uncertain, but one thing is not: whoever wins will face formidable economic challenges.

This is the principal lesson of the OECD's latest economic survey, published this week. True, the performance of the economy has improved, with real gross domestic product expected to have risen by 3¼ per cent last year. This recovery led to a 2¼ per cent increase in employment and a modest fall in unemployment. This growth has also combined with discretionary fiscal action to lower overall net general government borrowing, from 7.4 per cent of gross domestic product in 1993 to an expected 6 per cent in 1994.

Yet not only is fiscal policy well adrift from the targets in the Maastricht treaty, but the new convergence programme is implausibly back-loaded, with planned fiscal adjustments of 1.4 per cent of GDP in both 1996 and 1997. At 5 per cent last year, inflation remains above levels in the core countries of the European Union. Worse, Spain confronts two long-term structural problems: a state pension system that will impose escalating costs in the first half of the next century and, most important of all, unemployment.

Spain's labour market is a disaster: since the early 1970s, the measured rate of unemployment has risen from below 3 per cent to 23 per cent; only 47 per cent of people between the ages of 16 and 64 now have jobs, while for young men and women between the ages of 16 and 24 the proportion is about 30 per cent; and just 2 per cent of the unemployed find work or leave the labour force in any month, compared with 37 per cent in the US and 13 per cent in the UK.

This calamity was largely due to foolish regulations. There have been some reforms, notably in 1984 and 1994, among the most important being permission for fixed-term employment. The result has been high security for some, but virtually none for many others. Further reform is needed, not least to alter severance provisions, which are among the most generous of all OECD countries. Also necessary will be a further review of the impact of the unemployment insurance system.

The challenge for the next government is to make the needed labour market reforms, while strengthening the public finances and lowering inflation. It will be quite a trick to pull off. Mr González has been neither able nor willing to do enough. As for Mr Aznar, he talks of curbing public deficits and spending, but is wary of appearing too radical and specific. This may be an astute electoral strategy. But it has also ensured that his promises still fall short of what will be required.

Whitehall reform

Whitehall's mandarin elite is used to abuse. Over the past three decades it has been blamed for everything from Britain's class system to its decline as an industrial power. But never before has it faced as serious a challenge as it does today to its integrity.

In typically British fashion, it has happened with virtually no public debate. Yet in the space of barely five years most of the principles underpinning the career civil service created under Gladstone in the late 19th century have been brought into question.

Mr Michael Heseltine, the deputy prime minister, makes few bones about the fact. In a speech last night he promised a second white paper in three years on civil service reform. The last one largely focused on the need for retrenchment and enhanced management skills; this year's will increase momentum behind the contracting out of Whitehall functions to companies, and the need for "revolving doors" between Whitehall and the private sector.

It is important to note what has *not* happened. The principle of political neutrality has not been jeopardised. Nor has the commitment to recruitment by merit. Indeed, the emphasis on securing new blood at middle-manager level could be seen as an extension of this principle, provided it is accomplished through normal Whitehall recruitment channels.

Emphasis on improved management skills is also desirable. Most civil servants are not policy advisers but service deliverers, and they are now aware of the fact.

There can be no objection in principle to Mr Heseltine's desire for a "smaller, better-paid civil service". However, the notion of a career civil service is in doubt, and this is a cause of concern.

It is not a case of a few more secondees here, or an open competition for a permanent secretary's post there. If the notion, popular in ministerial circles, is accepted that outside appointments are preferable to internal promotions, the civil service may shift into the hands of officials on short-term contracts, concerned as much about their next job, whether in the public or private sectors, as about the good government of the country.

The relative absence of official corruption is a virtue inadequately appreciated in Britain. It would be a tragedy if Whitehall was obliged to reinvent the wheel. The experience of quangos should dispel any notion that serious corruption is somehow un-English.

Questions must also be asked about the semi-autonomous agencies which now embrace most of Whitehall's officials. Lines of accountability are unclear, and the position of chief executives vis a vis their ministers appears highly unsatisfactory.

In part this is because the status of agencies has never been properly determined. In their short history there has already been one serious crisis, concerning the Prison Service. Others are bound to follow unless they are placed on a firm statutory footing.

UK pensions

Yesterday's report from the Independent Inquiry into Retirement Income adds momentum to demands for UK pension reform. To judge by the instant, highly critical response to the proposals from Mr Peter Lilley, the social security secretary, there is little chance of the government's taking up the challenge. But if, as many expect, an incoming Labour administration decided to tackle the issue, a wide consensus is beginning to emerge on how reform should proceed.

The starting point of this report is that the system is unacceptable in its present form. The UK has done more than most industrialised countries to restrain the rising cost of state pension provision, but at the expense of rendering that provision inadequate for the poorest retirees.

A central aim of reform must be to improve the position of these groups. The trick will lie in finding a way to do this, not only at a cost that the average taxpayer would find acceptable, but also in a way that would not entirely violate the universalist principles behind the basic state pension.

Re-introducing the link between the basic pension and increases in average earnings jumps the second hurdle, but falls down at the first. The report estimates that by 2030 this would cost around £30bn more than continuing with present practice.

A better option, proposed by yesterday's Inquiry and the Social Justice Commission, among others, is to introduce an income-related minimum pension guarantee, set at a higher level than the present state pension. The authors would also abolish the state earnings-related pension scheme in favour of a funded, second-tier state pension system, to which anyone not covered by a personal or occupational pension would have to contribute.

The means-tested component of the minimum pension guarantee would have fewer disincentives to accumulation of wealth than income support, since assets would not be taken into account in the assessment, only pension and other income from prior savings. It would also be much cheaper to administer.

Those determined to preserve the inclusiveness of the old system will reject means-testing altogether, on the grounds that it would ultimately lead to reduced public support for financing state pension provision. But with large tax increases off the agenda for the foreseeable future, a purist insistence on sticking to universalist provision of pensions – as opposed to a universal minimum guarantee – is bound to come at the cost of even greater inequality among pensioners' incomes.

The Labour party can, and should, have a debate about the details of its prospective pension reform proposals – not least the cost. But it should be in no doubt as to the broad outlines.

Smoke clears after the duel

Martin Dickson looks at the issues raised in the controversial and colourful battle between Granada and Forte to control the hotels group

Although Granada's convincing victory yesterday brought to an abrupt end the battle for Forte, the aftershocks of Britain's fiercest takeover duel in years will reverberate for a long time.

From the very start, the bid had the potential for high drama. Any big, hostile takeover involving household names – and Forte's range from London's exclusive Grosvenor House hotel to the Little Chef chain of roadside restaurants – will attract more than usual public interest.

Add to the mix a chairman, in the form of Sir Rocco Forte, fighting to retain control of the empire painstakingly built up over half a century by his father, and you have the makings of a human drama quite as compelling as any dreamed up in Granada's television studios.

This, coupled with some sharp swings of advantage as each side changed strategy, and some innovative bid techniques, made the bid the most colourful and controversial since the great pitched battles of Britain's 1980s takeover boom.

There are two main reasons for Granada's victory. First, as in any successful bid, it offered Forte investors a price for their shares that they found attractive. The offer was cleverly pitched: not overgenerous, but sufficient for many investors to feel it was significantly higher than the price Forte shares would reach in the foreseeable future under existing management.

Second, those swapping their shares in Forte for Granada paper, rather than taking cash, simply had more faith in Mr Gerry Robinson, Granada's chief executive, to deliver future earnings growth than they did in Sir Rocco. As one fund manager bluntly put it: "I'm with Gerry. He's made me a lot of money over the years."

Mr Robinson's enthusiastic City following is based on his record in turning around the media and catering group, which was in trouble when he joined in 1991 but has seen operating profits almost quadruple since. Granada shares have easily outperformed the market, and he has successfully absorbed two sizeable acquisitions – Sutcliffe, the contract caterer, and London Weekend Television.

He is also a very good salesman. A fast, confident talker with an easy charm, he has a down-to-earth manner and dress sense (bland suits, checked blue shirts) and flatters with the impression of taking you into his confidence.

Forte's shares, by contrast, have under-performed the market for years, thanks to lacklustre profits growth and a low return on capital. Sir Rocco, chief executive since 1983 and chairman since 1992, is a slow, deliberate speaker with an upper-class accent and tailor-made suits to match.

Critics had long questioned whether he owed his position more to lineage than management strength. His image was cruelly reinforced on the day the bid was launched, when he was found to be out shooting, rather than at his desk. He subsequently pointed out that such an absence was unusual, while Mr Robinson denied the bid had been timed to cause Sir Rocco maximum embarrassment.

The contrast between the two companies was so great that Granada seemed headed for an easy victory when it joined battle on November 22. There was such confusion in the Forte ranks that Mr Keith Hamill, the finance director, described it as like "being on the Titanic when the iceberg struck".

Yet Forte quickly pulled itself together, thanks in part to Sir Rocco's tenacity (his City image improved a lot, though not enough, during the bid). He persuaded Mr Roberto Mendoza, a boyhood friend and vice-chairman of the US investment bank J.P. Morgan, to co-ordinate his advisory team. It is unclear who contributed what to the defence plan, but the strategy's radical nature smacks more of American than British tradition.

Forte announced Britain's biggest-ever share buyback and plans to sell assets representing almost half the group's turnover – most notably its roadside restaurants business, which Whitbread agreed to buy for £1.05bn. Instead, it would concentrate purely on hotels, where Sir Rocco's greatest expertise was deemed to lie. It sought to capitalise on the fashion for focused businesses, while trying, without particular success, to portray Granada as an out-of-date 1980s-style asset-stripping conglomerate.

The speed with which it found buyers was impressive, and the battle seemed to move Forte's way. But the advantage swung back decisively when Granada increased its offer and detailed plans to improve Forte's profits by £100m a year. It also announced a U-turn: it now intended to sell Forte's luxury hotels and the international Meridien chain, on the grounds that there had been great interest from potential buyers.

It is controversial stuff. Granada has spent £3.9bn to acquire Forte but will only retain assets valued at about £1.7bn, consisting mainly of the roadside restaurants and lodges business – these now account for nearly 80 per cent of group profits – which it will integrate with similar operations of its own.

All this involves huge fees to the City, which emerges as one of the biggest winners. Granada will spend £105m in underwriting, bank loan commitment fees, and the bills of an army of advisers, as well as picking up Forte's estimated tab of £35m. It may pay a further £15m to £30m for advice on asset disposals. Other payments and provisions could bring the total to £250m.

The improved offer was also controversial, because it was to be funded partly through a special dividend paid from Forte's reserves. This not only lay Granada open to accusations of plundering Forte's assets but also took one stage further the recent bid fashion for special dividends, which are attractive to tax-exempt institutions, such as pension funds which can claim back a tax credit.

Granada's innovation was to offer a cash alternative to investors unable to claim a tax credit, making the special dividend look like an attempt to get the Inland Revenue to part fund the bid. Future bidders are likely to follow its example, unless the tax authorities are provoked into closing the loophole.

Yet Mr Robinson's U-turn strengthened his hand. If his institutional fans had any doubts, it was over his ability to run luxury hotels, a new area for Granada. By offering to sell them, he removed this concern. It was assumed he would get a reasonable price: you just had to trust Gerry to deliver.

In contrast, Forte's shift of direction in response to the bid seemed to many investors merely to underscore the previous slow pace. As one commented: "Why did it take a bid to galvanise Rocco? And if we let him off the hook, will we find the leopard really has changed his spots?"

Nor did the claim that Mr Robinson's plans to sell off much of the Forte portfolio amounted to "asset-stripping" carry much weight, since Forte was planning to shed so many of its businesses. It is, moreover, questionable whether the accusation, with its 1970s connotations of putting profits before jobs, carries much weight in the 1990s when no jobs are safe and companies are constantly restructuring.

The Labour party, with its new enthusiasm for a continental-style "stakeholder economy", may seek to portray the Forte bid as an example of City fund managers' short-termism. But arguably the very opposite is true: the messy, costly nature of the bid stemmed from the inertia of institutional investors, which should have put much more pressure on Forte over the past decade to improve its performance.

The important role played in the bid by Mercury Asset Management – the fund manager which cast around 14 per cent of Forte's shares for Granada – may also come under fire. There is an increasing tendency in the UK for large shareholdings in companies to be concentrated in fewer hands, as fund managers try to distinguish their performance by placing large bets on particular managements.

Says one City adviser: "I used to frighten clients by telling them they could fit their crucial shareholders into the first few rows of an auditorium. Nowadays, you can sometimes fit them into the loo."

The danger is that fund managers might try to play a more active role in encouraging bid activity, although MAM says the first it knew of Granada's bid was just before the launch.

In any event, an FT straw poll of fund managers' intentions suggests that the outcome of the Forte bid would have been little different if MAM's stake had been spread more evenly among the professional investment community, where there was strong support for Granada.

The victory may encourage more hostile bids, uncommon since the 1990-91 recession put a stop to the last merger wave. But the UK is anyway at the point in the economic and stockmarket cycles when bid activity picks up strongly, and hostile offers are bound to comprise a significant element of that. Companies are flush with liquidity, equities are highly valued and banks are falling over themselves to lend on fine terms – as their support for Granada's highly leveraged deal demonstrates.

Yesterday's announcement that Farnell Electronics, capitalised at just under £1bn, plans to buy a US components distributor for about £1.85bn, financed by equity and debt, is another manifestation of the same cyclical trend.

The larger question is whether investors have been wise to place such great faith in Mr Robinson, who now faces the tricky job of fulfilling his promises.

His company will emerge from the bid with debt of £3.5bn, against assets of £1.44bn, for gearing of nearly 250 per cent. Granada's strong cashflow and undervalued assets may make that manageable: Mr Robinson reckons he has interest covered four times after capital investment; selling the luxury hotels at book value would increase this to eight times.

But his disposal plans could be upset by a sharp stock market correction, or some other external force. He also has to cope with the winner's curse: a large body of academic evidence shows that at least 50 per cent of takeovers are unsuccessful, with the victor's share price tending to underperform the market once a wave of post-bid euphoria passes.

Mr Robinson's record is excellent, but one of the lessons of the 1980s takeover wave is that the energy and self-confidence which first propels a management into the takeover business can over time become an overweening hubris – the pride that comes before a fall.

Granada shareholders will be expecting the Forte deal to show that the affable Mr Robinson is a long, long way from that deep and dangerous divide.

· OBSERVER ·

Beating time at Roche

■ As Roche, the Swiss drugs company, celebrates its "first 100 years", it bids farewell to one of its best advertisements – a director who is himself only a decade short of his centenary.

Paul Sacher, who has been on the board since 1938, is getting on a bit even by the standards of the long-distance directors of many continental companies. However, he did marry Maya, the widow of Emanuel Hoffmann-Stehlin, son of Fritz Hoffmann-La Roche who founded the company.

The match made Sacher one of the richest men in the world and later head of the family which controls a majority of Roche's voting shares.

The financial security no doubt helped Paul Sacher run a successful parallel career as a conductor and distinguished patron of contemporary music. But he was far from a sleeping partner at Roche. He provided continuity when the autocratic chairman Emil Barell, who had been appointed by Fritz in 1896, stepped down in 1952. In 1978, he was instrumental in recruiting the current chairman, Fritz Gerber, after a series of disasters that decade including the Seveso chemical spill.

Departing along with Sacher are two relative youngsters from the family – Lukas Hoffmann, 73, and Jakob Oeri, 76. But the Hoffman line is assured, with Fritz's great-grandson, 38-year-old André Hoffmann, up for a board seat at the June agm.

Muddy picture

■ It's that sinking feeling again. South Korea's Daewoo, which is building a 15-storey business centre in Hanoi, the Vietnamese capital with the charming French colonial-era skyline, is incensed at reports in a local newspaper that the development has sunk 20 centimetres into the ground. Not so, says Daewoo, it's 20 millimetres. A few millimetres is normal in any project, it insists, lashing out at the paper's sloppy reporting.

Millimetres now perhaps… Hanoi sits on a bed of soft ground in the Red River Delta, and other foreign developers have had to sink piles far deeper than they had originally planned in order to secure their buildings. Hope the 12 separate developers currently planning new hotels in Hanoi are paying attention.

Short circuit

■ In its most recent annual report, Premier makes much of its inclusion in a book called *Making it in America – Proven Paths to Success from 50 Top Companies.*

Having made it in America, the Chicago-based electronic components distributor is now selling out to Britain – yesterday it agreed a £1.85bn ($2.84bn) bid from the UK's Farnell Electronics.

Kids' play

■ Poor President Jacques Chirac. Battling against that monstrous budget deficit, besieged by those ugly unemployment statistics. Whatever is a man to do to inject some *joie de vivre* into the French economy?

Judging by a ceremony this week at the Elysée, he has hit upon a rather unfashionable solution.

For there was the head of state bestowing something called the French Family Medal to 30 sets of parents who have brought up between four and 11 children each. Chirac was to be heard praising them lavishly for making the connection between growth and demography.

Well, it's cost-effective – just the price of a few pieces of metal and some bits of ribbon.

Thrill of Chase?

■ So how is the Chemical/Chase "merger" progressing? Ignoring for a moment the quips in the New York dealing room after the Fed lowered rates about Chemical having cut Chase's prime rate, what is one to make of the two banks' new advertisement? The caption goes on about how they have for years "envied each other's capabilities from afar". Thanks to the merger, they can now do the envy thing from "across the hall".

The illustration is of five senior executives, three from Chemical and two from Chase (about right in terms of relative size of balance sheet). However, two of the three from Chemical have their jackets on, whereas both Chase chappies are in their shirt sleeves. At least Tom Labrecque, chairman and chief executive of Chase, the bank whose name goes above the door of the merged entity, is allowed still to be holding his jacket.

Big guns

■ The following radio conversation is supposed to have been released by the US Navy.

First voice: "Please divert your course 15 degrees to the north to avoid a collision."

Second voice: "Recommend you divert *your* course 15 degrees to the south to avoid a collision."

First voice: "This is the captain of a US Navy ship. I say again, divert *your* course."

Second voice: "No, I say again divert *your* course." First voice: THIS IS THE AIRCRAFT CARRIER ENTERPRISE, WE ARE A LARGE WARSHIP OF THE US NAVY. DIVERT YOUR COURSE NOW.

Second voice: "This is a lighthouse. Your call."

Financial Times

100 years ago

British rule in India
Sir John Leng, M.P. for Dundee, made a very interesting speech at Calcutta at the end of last month. Sir John, despite his years which are not few, has had the courage to go out to India to investigate the position of the jute industry, in which his constituency is greatly interested. According to his own statement, he has been deeply impressed by the vast resources of our big dependency, and also the advantage it derives from British rule. In concluding his speech, which was delivered before a number of merchants representing the jute and cotton mills of Bengal, Sir John said: "I should regard as nothing less than criminal any proposal or any policy which would weaken, embarrass or imperil the British occupation and government of India." And so say all of us.

50 years ago

U.S. rail strike threat
With no sign of settlement in the U.S. steelworkers' strike, now in its third day, and meat-packing plants at a standstill, railway union leaders to-day forecast strike action by 300,000 men, which might cause a widespread railway hold-up in the country. The "Brotherhood of Railroad Trainmen" – mainly guards – are balloting immediately on a strike proposal.

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Row over vodka rights produces fighting spirit in Smirnoff family

John Thornhill in Moscow and Roderick Oram in London on a feud engulfing the heirs to a drinks dynasty

Second only to rum in sales and at the heart of a family split

Count Leo Tolstoy wrote in the opening line of *Anna Karenina*: "Each unhappy family is unhappy in its own way." But even he would have struggled to invent a family quarrel as extraordinary as that which currently engulfs the Russian Smirnovs, descendants of the Tsarist vodka empire.

Thirty four Smirnov family members yesterday published a statement condemning one of their Moscow relatives, Mr Boris Alexeyevich Smirnov, for sullying the family name for "dishonestly" claiming to be the true producer in Russia of the famous Smirnoff vodka.

The statement claimed the legitimate rights to the family trademark were acquired in 1939 by Heublein, a US company which is now part of Grand Metropolitan of the UK.

Over the last 50 years, Smirnoff – the French rendering of the Cyrillic characters which make up the family name – has grown into the second biggest selling spirits brand in the world after Bacardi rum. Selling 15.3m cases of it a year generates about £100m ($151m) in operating profits for GrandMet, estimated to be about 20 per cent of its drinks profits.

All 34 Smirnovs claim descent from Mr Peter Arsenyevich Smirnov, who founded a vodka business in Moscow in 1860 and expanded it into one of the most powerful trading houses in Russia by the time of his death in 1898. They say the founder's third son, Vladimir, legitimately sold the trademark rights to an emigré Russian-American businessman shortly before he sold them on to Heublein.

"Boris has no legitimate hereditary claim to the Smirnoff trademark," the statement ran. At an emotional press conference yesterday, several Smirnov family members poured out their experiences of life since the Communist revolution of 1917, which stripped the family of its lucrative inheritance and led to hardship and persecution.

Several of the Smirnov family were interned in the Stalinist Gulag, adding an edge of intensity to the dispute with Boris, a former KGB officer.

The ownership of the Smirnoff trademark has been in dispute in Russia since 1991 when Mr Boris Smirnov registered the brand name in Moscow a month before Heublein filed to register the trademark.

However, the origins of the row go back to the late 19th century when the rights to the Smirnoff trading house were divided between the five sons of the founder.

Mr Boris Smirnov, a descendant of the founder's third son, wants to exploit the Smirnoff brand in Russia and, with US business partners, has approached many of the world's biggest spirits companies to attract investment.

Mr Bill Walker, a US lawyer who formed a company to exploit the Smirnoff rights after a chance meeting with Boris, describes Heublein's ownership claims as a "classic highwayman's argument".

Heublein bought the rights from a family member who had no right to sell them, Mr Walker claims. "As we say in America, they bought the Brooklyn Bridge."

Mr Boris Smirnov has taken the dispute through the Russian courts and obtained injunctions in regional courts barring GrandMet from importing Smirnoff in Russia. GrandMet says it has stockpiled sufficient quantities of vodka to supply the market until the court rulings are overturned.

But Mr Walker has widened the battle and even launched legal proceedings against Heublein in Delaware in the US, challenging the company's rights to the exploit the trademark internationally. "I believe the legal case exists to dismantle the entire edifice upon which Heublein has tried to build the Smirnoff brand name," he says.

What has been a minor legal irritant to GrandMet is turning out to be a sizeable headache. Given the unpredictability of the Russian legal system, there is unlikely to be a quick fix to the court wrangles.

Some industry observers suggest Mr Boris Smirnov and his business associates will have to be bought off – he has already turned down one offer from GrandMet. But a deal may only inflame the sensibilities of the other family members who uphold Heublein's claims. For the past few years they have been beneficiaries of a trust established by Heublein in Moscow.

GrandMet has ambitious plans to expand in Russia – the biggest vodka market in the world. Industry officials estimate Russians consumed 2.5bn litres of vodka last year.

GrandMet is trying to enhance the Russian credentials of its vodka by exporting a "super-premium" version, Black Smirnoff produced by Cristal, an independent Moscow distillery.

The rest of the 15.3m cases of vodka it produces a year have nothing to do with Russia apart from the labels which sport medals the Czar awarded Peter, founder of the business. All the vodka is produced in 22 distilleries outside Russia for sale in 138 countries.

French stock exchange plans link to trading screens in UK

By Andrew Jack in Paris

The French stock exchange is planning aggressive moves to boost its business in other European countries.

The move follows financial deregulation measures introduced across the European Union at the start of this year.

The Société des Bourses Françaises, operator of the Paris stock market, plans to offer trading screens and enhanced communication networks to institutions in the UK so they can do business directly with France from their offices in London and elsewhere in the UK.

In the next few weeks it intends to announce the opening of a telecoms "hub" which should allow information to be transmitted and transactions carried out between London and Paris in "real time".

The bourse is also considering launching similar initiatives in other important European markets, including Frankfurt, Geneva and Brussels, over coming months. It is also considering the use of satellite technology for other markets in the longer term.

The action comes in response to the introduction of the European Investment Services Directive on January 1, which offers considerable scope to reduce national regulation and boost cross-border financial activity.

One effect of the directive will be to allow financial institutions other than banks – once regulated in one EU state – to be issued with a "passport" allowing them to operate easily in others.

The new legislation also allows rival stock exchanges to set up in competition with established ones in national markets. In the same way, it offers scope for exchanges to provide their services in other EU member states.

The French bourse intends to stress the advantages of its system in terms of cost, transparency and quality compared with transactions in French equities conducted through Seaq International, the London Stock Exchange's system.

The news will come as a further blow to the London exchange, which has come under increasing criticism for turning its back on developments taking place elsewhere in Europe.

The London exchange said it had expected such moves by European exchanges following implementation of the directive. It said Seaq International was increasingly focused on trading shares in emerging markets rather than Europe.

The Matif, the French financial futures exchange, has already received approval from the UK authorities to set up a derivatives operation in London.

Bonn fears may prompt jobs plan

Continued from Page 1

teria, which stipulate cutting the public sector deficit to below 3 per cent of GDP. The government is already expecting a 3.5 per cent public sector debt for last year. "We forecast about 3.4 per cent this year," said Mr Fahrinkrug, but government officials would not confirm this.

Equally disappointing for the government is that despite the introduction this year of some tax changes, including an increase in child benefit allowances and abolition of an electricity surcharge, consumer spending is not expected to pick up substantially.

The government expects private consumption to grow by 2 per cent compared with 1.3 per cent last year, and domestic demand is estimated to grow by 1.5 per cent, compared with 1.8 per cent in 1995.

THE LEX COLUMN

Gleeful Granada

British corporate financiers must be rubbing their hands with glee at the sight of Granada's successful takeover of Forte. Here is a bidder paying £3.9bn ($6bn) for a business where it has no direct expertise and from which it is immediately planning £2.1bn of asset sales. This might seem to imply open season for the 1980s-style corporate raider.

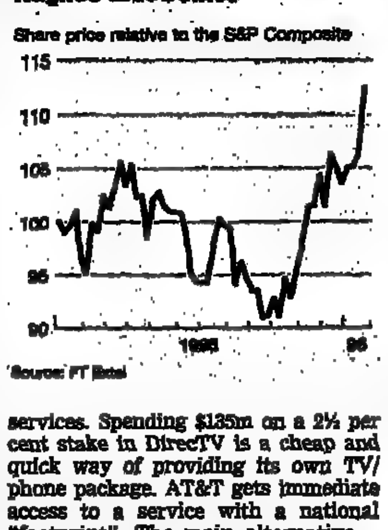
The reality, however, could be rather disappointing. There will be plenty more bids before the next election, but another Granada/Forte battle is unlikely because the gulf between pre-bid perceptions of the two managements would be difficult to replicate. Recent bids have been characterised by industrial consolidation with a view to cutting costs. Granada put a different spin on the theme by boasting that its management did not need the industrial synergies to find the cost savings. It could back this up with a record of delivering strong cash flow – sufficient to alleviate concerns over post-bid debts – and a return on investment that substantially outpaced that of the 1980s deal-makers such as Hanson. Granada got the benefit of the doubt, but plenty of companies would not.

The onus is now on Granada to realise its promises. Its share price will face selling from unwilling new investors and it is unlikely to recover until it can announce a large chunk of the promised £1.6bn of luxury hotel sales. But if it casts off the hotels and delivers the majority of its promised cost savings, Granada supporters should be well rewarded.

FT-SE Eurotrack 200: 1634.8 (-7.0)

Hughes Electronics

Share price relative to the S&P Composite



Source: FT Extel

AT&T/DirecTV

As AT&T gears up for its demerger later this year, its telecoms services arm is displaying increased vigour. Yesterday the company unveiled plans to attack the UK market; the day before it formed an alliance with DirecTV, the embryonic but fast-growing US satellite television group. Both moves will intensify competition faced by existing operators. In the UK, AT&T's plans to focus on large companies pose a particular threat to Mercury Communications, which has adopted a similar strategy.

For AT&T, though, its decision to take a stake in DirecTV, owned by General Motors' Hughes Electronics, and market its services is more significant. As the barriers between cable TV and telecoms crumble, AT&T's rivals will target its customers, offering packages combining TV and phone services. Spending $135m on a 2½ per cent stake in DirecTV is a cheap and quick way of providing its own TV/phone package. AT&T gets immediate access to a service with a national "footprint". The main alternative – cutting a deal with a cable group such as Time Warner – would have been much more capital-intensive. And it would have needed several such deals to cover the whole country. Though undoubtedly motivated by defensive considerations, AT&T's action should help build DirecTV into a potent threat to the cable TV companies. The relative cheapness of investing in satellite distribution also underlines the fact that cable groups will have to invest billions of dollars modernising their networks in coming years.

Euro Disney

Euro Disney is still a long away from the Magic Kingdom of decent returns on equity, but it is moving in the right direction. Last year's momentum in revenue growth continues, with turnover rising 17 per cent in the three months to December. This is similar to the level achieved last summer during the hype over its new Space Mountain ride. Moreover, the operational gearing of the business is becoming increasingly apparent. Almost 60 per cent of revenue growth is being translated into operating profit before financing costs, reflecting the company's high level of fixed costs. The addition of another conference centre, due to open in autumn 1997, should also smooth out seasonal earnings volatility and underwrite the current increase in hotel profits.

This is fortunate, since the group's interest holiday is gradually coming to an end. The company will pay an extra FFr120m of financing charges this year, and by 1998 it will be paying around FFr600m more than in 1995. At least there is no longer concern over Euro Disney's ability to cover funding costs. However, there is not enough cash for more Space Mountains to keep the momentum going. So, it is hard to see how it can increase profits sufficiently to justify the current share price. Of course, a favourable deal to redevelop phase two of the theme park could transform the numbers. And a pick-up in European consumer spending would help. But even at Euro Disney, investors should not be banking on fairy tale endings.

Farnell/Premier

Farnell's $2.8bn acquisition of Premier is hair-raising. The UK electronic components distributor is more than doubling its share capital to buy a business nearly twice its size on the other side of the Atlantic. The group is also loading up with £450m of debt. The geographic fit is complementary, with Farnell strong in Europe and Premier in the US. But the neatness of the industrial logic should not be allowed to divert attention from the financial risks.

Apart from the sheer scale of the takeover and the fact that UK companies have come unstuck in the US before, it is opportunistic. For the past two years Farnell has preached slow and careful expansion in America, while its UK rival Electrocomponents has avoided it altogether. Now Mr Howard Poulson, chief executive, has pulled off what he called "a once in a lifetime deal" after less than two months of due diligence.

Farnell is paying an expensive 24 times prospective earnings. To make the acquisition work at that price, the group must boost margins. With Premier already enjoying 20 per cent margins, there is little scope to run it more efficiently. And though greater purchasing power and cross-selling may produce synergies, they will be slow to come through. The purchase will dilute earnings per share by 8-10 per cent next year and require £15m of savings just to be earnings neutral the year after. Unless Farnell can do a better job of selling the deal, shareholders should vote it down at next month's extraordinary meeting.

Additional Lex comment on Railtrack, Page 22

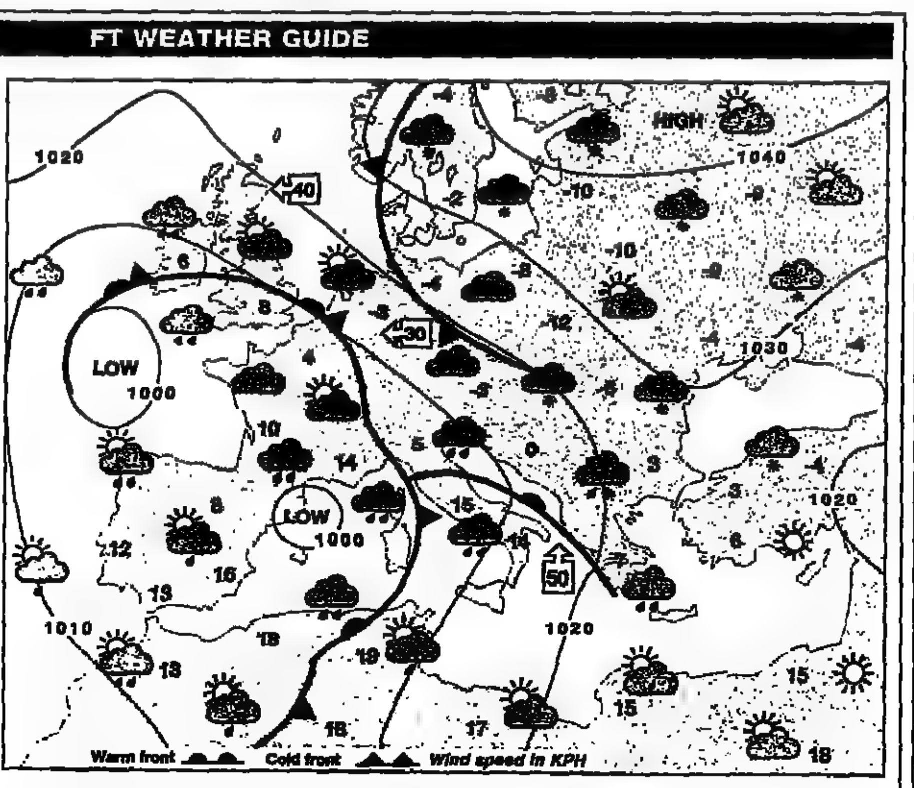
FT WEATHER GUIDE

Europe today

High pressure over northern Scandinavia will produce moderate to fresh easterly winds over northern parts of the continent. Afternoon temperatures in Germany and the Benelux will be mainly below freezing. Northern Europe will be cloudy. Sunny spells are expected along the west coast of Norway, in Scotland and in northern parts of the Benelux and Germany. Southern Scandinavia and parts of western Russia will have patches of snow. Scotland and southern England will have periods of rain. Most of Europe will stay dry but there will be some rain in parts of Spain, most of Italy and south-eastern Europe. Rain will turn to sleet inland and the southern Alps, Hungary and Romania will have snow.

Five-day forecast

Low pressure systems will cross the Mediterranean giving cloud and abundant rain in Spain, Italy, the Balkans and south-eastern Europe. Further inland and on higher ground, temperatures will be below freezing and the rain will turn into snow. An easterly flow over the east coast of the UK will give snow showers later in the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	shower	22
Accra	fair	31
Algiers	fair	18
Amsterdam	cloudy	-1
Athens	cloudy	10
Atlanta	shower	14
B. Aires	shower	30
B.ham	drzzl	5
Bangkok	fair	34
Barcelona	cloudy	12
Beijing	fair	-1
Belfast	cloudy	5
Belgrade	sleet	0
Berlin	cloudy	-8
Bermuda	shower	21
Bogota	fair	18
Bombay	sun	31
Brussels	cloudy	0
Budapest	snow	-6
C.hagen	cloudy	-3
Cairo	sun	15
Cape Town	fair	24
Caracas	fair	29
Cardiff	drzzl	7
Casablanca	shower	15
Chicago	fair	-1
Cologne	cloudy	-1
Dakar	fair	24
Dallas	fair	15
Delhi	fair	24
Dubai	shower	23
Dublin	rain	6
Dubrovnik	rain	12
Edinburgh	shower	4
Faro	shower	15
Frankfurt	cloudy	-2
Geneva	cloudy	3
Gibraltar	shower	13
Glasgow	fair	4
Hamburg	fair	-5
Helsinki	cloudy	-7
Hong Kong	fair	21
Honolulu	fair	29
Istanbul	fair	3
Jakarta	shower	29
Jersey	cloudy	6
Karachi	sun	28
Kuwait	fair	15
L. Angeles	fair	15
Las Palmas	fair	21
Lima	fair	26
Lisbon	shower	12
London	drzzl	6
Lux.bourg	cloudy	-2
Lyon	rain	6
Madeira	fair	17
Madrid	shower	7
Majorca	shower	14
Malta	fair	17
Manchester	cloudy	5
Manila	fair	31
Melbourne	thund	20
Mexico City	fair	21
Miami	fair	27
Milan	rain	4
Montreal	rain	4
Moscow	cloudy	-9
Munich	sleet	-2
Nairobi	fair	26
Naples	rain	14
Nassau	fair	26
New York	rain	13
Nice	rain	13
Nicosia	fair	13
Oslo	snow	-7
Paris	cloudy	4
Perth	sun	39
Prague	cloudy	-7
Rangoon	sun	32
Reykjavik	fair	2
Rio	shower	33
Rome	rain	15
S. Frsco	shower	11
Seoul	fair	-1
Singapore	shower	31
Stockholm	cloudy	-4
Strasbourg	cloudy	-1
Sydney	thund	29
Tangier	shower	14
Tel Aviv	fair	14
Tokyo	fair	5
Toronto	snow	2
Vancouver	snow	4
Venice	rain	7
Vienna	snow	-6
Warsaw	cloudy	-12
Washington	rain	13
Wellington	shower	17
Winnipeg	fair	-18
Zurich	sleet	0

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

FORTE
Granada captures Forte
Page 20

Walt Disney rises to record $496m

The US launch of the film *Toy Story* and the international debut of *Pocahontas* helped Walt Disney to record first-quarter earnings of $496m from revenues up 16 per cent in the three months to end-December. Page 16; Euro Disney result, Page 18

Salomon growth slows in fourth quarter
Fourth-quarter net income of $168m at Salomon Inc – parent of Salomon Brothers, the US investment bank – continued the turnround from $157m losses of the same period of 1994, but showed a fall in earnings from the strong third quarter. Page 16

Roche history highlights failings
Roche, the Swiss pharmaceuticals group, was clumsy and self-righteous in its handling of a "series of unfortunate incidents" in the 1970s that did "enormous harm to the company's reputation", according to a history of the group published for its centenary celebrations. Page 18

Siemens sees 25% profit growth for year
Siemens, the German electronics and electrical engineering company, said it was in line to achieve its forecast profit growth of between 20 per cent and 25 per cent in the current financial year. Page 18

Olivetti expects L500bn loss for year
Olivetti, the troubled Italian computer group, said it expected a 1995 pre-tax loss of about L500bn ($313.7m) before restructuring costs of L1,050bn. The latter includes a L900bn charge provided for in the first half.

Sports fans' cash to help build stadium
Multiplex Constructions, the Australian company which is to construct a 110,000-seat stadium for the Sydney Olympic Games in 2000, is offering free tickets to the games to sports fans who help supply the funds for the A$463m (US$339m) building project. Page 19

Unilever sweeps up Diversey for C$780m
Unilever, the Anglo/Dutch food, detergent and speciality chemicals group, has become the world's second largest producer of industrial cleaning products with its C$780m (US$569.3m) purchase of Diversey from The Molson Companies of Canada. Page 21

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	725	+	55
Hamburg Elekt	438	+	8
Rheinelektra	1222	+	13
Falls			
Henkel	569	–	[illegible]
Hertie	219	–	9
Porsche	807.5	–	17.5
NEW YORK ($)			
Rises			
Genetics	62¾	+	4¼
Paramount Fin	12¾	+	5⅝
Premier Inds	31	+	6⅞
Vertone	34⅝	+	3½
Falls			
Cascade Comm	79½	–	3¾
Netscape Comm	156¾	–	4½
LONDON (Pence)			
Rises			
Forte	364	+	11
Midlands Elec	368	+	10
Regent Inns	720	+	20
Falls			
Courtaulds	441	–	17
Farnell Elec	617	–	62
Granada	678	–	18
TORONTO (C$)			
Rises			
Franco-Nevada	84	+	1¼
Mitronics	30	+	[illegible]
Falls			
Fulcrum Tech	35½	–	2⅝
Hummingbird	48½	–	2⅝
Safety Shoes	27¾	–	2½
Tee-Comm Elec	9⅝	–	2⅜

PARIS (FFr)			
Rises			
Imetal	639	+	10
Skis Rossignol	1501	+	41
Falls			
Bancaire Cie	493.8	–	12.2
Gr Nationale	342	–	11.1
Ecco	869	–	20
Soc Generale	594	–	13
TOKYO (Yen)			
Rises			
Honshu Paper	679	+	20
Yagi Antenna	1510	+	200
Falls			
Nikon	1310	–	80
Oki	855	–	45
Sanyo	605	–	22
Toshiba	810	–	22
HONG KONG (HK$)			
Rises			
Cheung Kong	54.5	+	0.7
Dah Sing Fin	22.2	+	0.8
Guoco	41.7	+	1.1
Hutchison	49.9	+	0.7
Sino Land	8.5	+	0.5
Falls			
Tele Broad	31	–	0.5
BANGKOK (Baht)			
Rises			
Ayudhya Life	119	+	8
Thai Danu Bk	128	+	11
Falls			
Christiani	27.25	–	9
Mutual Fund	590	–	28
Saifreen Ind	120	–	10
Siam Cement	1294	–	12

New York & Toronto prices at 12.30.

Dutch ministers hold talks on possible finance for aircraft maker

Fokker tries to save core operations

By Ronald van de Krol in Amsterdam

Fokker, the Dutch aircraft maker plunged into crisis by Daimler-Benz's withdrawal of financial support, was yesterday refusing to rule out the possible survival of its core aircraft building operations, either in partnership with a foreign company or with the help of bank financing.

Hopes rose after Mr Hans Wijers, Dutch economic affairs minister, said efforts to salvage aircraft building would be "extremely complex" but worth the effort. His comments followed an emergency meeting with Mr Wim Kok, prime minister, to discuss the possibility of extending bridging finance to Fokker.

Last night, Fokker's senior managers were in a second night of meetings aimed at finding a way to avoid bankruptcy in the wake of Daimler-Benz's decision on Monday to stop further financial aid.

Government officials refused to comment on reports that the Dutch cabinet was prepared to earmark several hundred million guilders for Fokker.

The company's shares remained suspended for a second day as negotiations with the government, and between Fokker's management and supervisory boards, continued.

The decision by Daimler-Benz, Fokker's controlling shareholder, to withdraw its support followed failed talks between Daimler-Benz and the Dutch government, a minority shareholder, on a Fl 2.3bn ($1.4bn) rescue plan for the aircraft maker.

The government's stance will be crucial to Fokker's future, but so will that of Daimler-Benz. Fokker has outstanding orders for 75 aircraft, representing about two years' production. Daimler-Benz co-signed some of the contracts and will be keen to ensure that the aircraft are built and delivered to customers. This could form the nucleus of a resurrected Fokker, one union official said.

Tony Andrews
Emergency talks: Wim Kok, Dutch prime minister

Fokker suggested that it was in the German company's interests to co-operate because it recently took over Fokker's portfolio of leased aircraft.

"That lease portfolio is worth Fl 1.4bn. If Fokker collapsed, that value falls dramatically," the company said.

However, analysts said the most likely scenario was that Fokker's aircraft building subsidiary, Fokker Aircraft, which generates 90 per cent of total turnover and employs nearly 6,000 of the group's 7,800 workers, would be forced into receivership. This would leave two smaller operations, a defence subcontractor and an aircraft maintenance subsidiary, which might be able to survive on their own or be taken over by another company.

Daimler shares rise, Back Page

Bristol-Myers in loss after latest implant charge

By Richard Waters in New York

Bristol-Myers Squibb, the US drugs and healthcare group, yesterday took a $950m charge to cover the costs of settling claims over silicone breast implants.

The latest charge, which led to a fourth-quarter loss at the company, takes Bristol-Myers' total provisions since 1993 to $2.2bn, and could force other former implant makers to increase reserves of their own.

The company, along with Baxter International and 3M, agreed in the autumn to a revised class action settlement for women who claim to have suffered illnesses caused by leaking silicone implants. That followed the collapse of an earlier $4.25bn global settlement. The biggest maker of silicone, Dow Corning, filed for Chapter 11 bankruptcy protection last year and is not included in the latest agreement.

Bristol-Myers said it would be some time before it could assess the final cost of the settlement as it did not know how many women would opt for the deal or how much each claim would be settled for.

Unlike the earlier deal, the new one only covers women in the US, and only those who can prove that their implants were made by a Bristol-Myers subsidiary. It would result in lower payments to each claimant.

Baxter has taken two charges totalling $170m, the most recent in April last year. The amount represents what it expects to have to pay to claimants after receiving $684m under insurance policies. 3M, meanwhile, has set aside only $35m, representing its expected liability after insurance recoveries.

Both companies said yesterday that they continued to believe their current reserves were adequate.

Bristol-Myers' latest charge, amounting to $590m after tax, came as the company also took a restructuring charge of $310m (or $196m after tax).

These led to a pre-tax loss of $350m for the final three months of 1995, compared with a profit of $82m the year before.

For 1995 as a whole, Bristol-Myers registered net income of $1.81bn, or $3.58 a share, compared with $1.84bn, or $3.62 a share, in 1994.

Results, Page 16

Farnell Electronics to pay $2.8bn for Premier

By Christopher Price in London

Farnell Electronics is to spend £1.85bn ($2.8bn) to take over Premier Industrial Corporation of the US, creating the third largest electronic component distributor in the world.

The size of the deal, with the UK group more than doubling its size, shocked the market and Farnell shares fell 10 per cent to 617p. The combined group will have annual sales of more than £1bn and operating profits of £175m.

The Mandel family, which controls 65 per cent of the shares, has agreed to support the offer. Mr Morton L. Mandel, chairman and chief executive, will become deputy chairman of the new group, which will be renamed Premier Farnell and list in New York and London.

Farnell will use a mixture of new shares, preference shares, cash and debt to fund the deal – by far the largest the fast-growing company has undertaken.

The 9-for-19 rights issue at 540p per share will raise £350m, while a further £460m will come from the issue of convertible preference shares. Another £460m will be provided by the issue of ordinary shares to the Mandel family, which would then own up to 25 per cent of the enlarged equity. A further £586m will come from a mixture of debt and cash.

After the transaction and the write-off of goodwill, Premier Farnell will have negative shareholder funds of £132m and net liabilities of £155.2m.

The deal will make Farnell, already one of Europe's largest catalogue-based distributors, the largest electronics components group in the US and third behind Avnet and Arrow, of the US, in the world.

Based in Cleveland, Ohio, Premier has a market capitalisation of about $3bn, against Farnell's £841.6m. The US group made pre-tax profits of $172m on sales of $818m last year. Three-quarters of its business is derived from the Newark electronics distribution business, which has 15 per cent of the $17bn-a-year US catalogue distribution market.

The remainder comes from a mixture of mechanical distribution and fire-fighting equipment. Farnell said some periphery businesses may be sold to help reduce debts. However, the group was confident that the new company's cash generating ability and synergies and cost savings would be sufficient to justify the price.

Lex, Page 14; Observer, Page 13; City gasps, Page 21

Brady bonds lifted as Moody's re-rates Polish issues

By Richard Lapper in London

The $145bn market in Brady bonds, financial instruments issued in exchange for distressed debt, has received a strong lift following a credit rating agency decision to award an investment grade rating to Polish issues.

It is the first time Moody's, the credit rating agency, has rated the credit of any Brady bond issue at this level. The move should allow a broader range of investors to hold the paper.

The credit rating agency's move also seems likely to foreshadow growing investor interest in emerging market debt.

Polish Bradys have risen more than 10 per cent to all-time highs since the announcement by Moody's on Monday in New York. Moody's also re-rated Latin American and other Bradys by one notch, bringing them into line with other securities issued by the governments concerned – although not to investment grade.

Price increases for Latin American Brady bonds were more modest. Even so, between Friday's close and late afternoon yesterday in London, Argentine, Mexican and Brazilian bonds had gained 3.36 per cent, 2.58 per cent and 1.5 per cent respectively, building on a strong performance since mid-November.

"Dealers have been buying on the expectation that there will be demand from new investors," said Mr Philip Poole, head of research, eastern Europe, at ING Barings in London.

Ms Ingrid Iversen, debt strategist at UBS, said investors expected yields of Polish Brady bonds to drop towards levels of the same country's eurobonds, which have the agency's Baa3 investment grade rating. Bradys yield at least 1½ percentage points more than the eurobonds.

Poland issued about $8bn in Bradys in 1994 as part of its debt rescheduling agreement but investor interest – as with the rest of the Brady market – has been restricted to a narrow range of specialist fund managers. Larger institutional investors are usually limited in the amount of non-investment grade assets they can hold.

Moody's said it had adjusted its ratings in recognition of changes in the Brady bond market. Most Brady bonds were originally held by the banks who had made their original loans to Latin America and eastern Europe but these portfolios have since been sold off into the secondary market and increasingly resemble other marketable securities issued by governments, such as eurobonds.

Moreover, since 1990 the market has become more liquid. Annual trading volumes have soared, rising from less than $100bn in 1990 to nearly $1,700bn in 1994. About $145bn of Bradys are outstanding.

"There has been a recognition that Brady debt is no longer regarded as impaired," said Mr Poole.

Barry Riley

Stripping gilts to the bare essentials

Just as UK government bonds are wobbling slightly under the strains of UK domestic politics, here comes a new *Merrill Lynch Guide to the Gilt-Edged and Sterling Bond Markets** to explain the market's charms and mysteries to an international audience. Perhaps the algebra will serve to steady some nerves.

In fact, this is an updated edition by Patrick Phillips of his highly-regarded original 1984 study, produced while he was at brokers De Zoete & Bevan. That he is now a consultant with Merrill symbolises the globalisation of the market since then. For two years Merrill Lynch has been back in business as a gilt-edged marketmaker, making a second and more determined assault on the sterling bond markets after closing its first, short-lived, Gemm in 1989.

As Patrick Phillips relates, the gilt market has a long history, and it has never been destroyed by hyperinflation or war – unlike German debt, for example, which has been twice this century. However, gilts' recent performance has been less impressive. The British economy floats uncomfortably on the edge of Europe, with only vague monetary links, and gilt-edged incorporate a distinctive set of risks that many global investors will scarcely bother to analyse.

The perceived extra risk requires extra return. Gilt spreads against the core continental bond markets have been widening again, despite a general swing to the "periphery" in Europe recently. The spread at 10 years is back to 100 basis points against French OATs and nearly 150 basis points against German bunds, below the worst of last October but trending upwards. A spread of 175 basis points against US Treasuries has been steady.

The Bank of England has been chipping away at these troublesome borrowing costs by introducing reforms including regular auctions, an open repo market, modified taxation and – promised within another year or so – gilt strips (interest payments and redemptions separated from the original bond).

A ballooning government bond burden represents next year's taxes

But what is not within the Bank's power to deliver is monetary robustness. Broad money growth is over 9 per cent and sterling is weak. Last week's short-term interest rate cut left the Bank literally speechless, at least until the minutes of the monetary meeting are published.

In these circumstances, should the Bank be trying so eagerly to sell gilts to foreigners? A new report by Tim Congdon of Lombard Street Research pointedly refers to another period of history, in the 1950s and 1960s, when foreign ownership of gilts and other sterling liabilities at times was equivalent to over 20 per cent of gross domestic product.

In those circumstances the "sterling balances" were seen as a source of dangerous attacks on the currency, and that at a time when most of the investments were controlled by normally responsible official holders.

Having trimmed these balances to under 5 per cent by the 1980s is there a risk that the Bank will regenerate an old problem? This time, remember, the cross-border gilts are being sold largely into speculative global bond funds which will buy and sell and hedge on a whim. Responsible they are not; they will be at least as aggressive as the domestic institutions that destabilised the gilt-edged market in the late 1970s "Duke of York" period of yield gyrations.

But although foreigners became net buyers of gilts again last year, Tim Congdon is rather more concerned about the "D-Mark balances" being rapidly accumulated by Germany. Foreign holdings of German public debt have risen to 18.5 per cent of GDP (and more than a quarter of the total outstanding).

The UK is slightly behind Germany in its rate of debt expansion. And we must remember a ballooning government bond burden represents next year's taxes, the year after's inflation or, at worst, eventual default. We should not view the £30bn ($45bn) annual sale as another interesting technical achievement.

Next, though, will come strips. They eliminate reinvestment risk (owners of conventional gilts are uncertain about the yield at which future coupons can be reinvested). But that is for another year and, for Mr Phillips, another edition.

**Published by The Book Guild, £45 (available through bookshops).*

AMERICAS NEWS DIGEST

Another good year at Dean Witter

Dean Witter Discover, the stockbroking and credit card group, achieved its seventh consecutive year of record earnings, reporting net income up from $741m to $856m in 1995. Earnings per share, fully diluted, rose from $4.27 to $4.88. In the fourth quarter, net income climbed 27 per cent from $140m to $178m, with earnings per share ahead from 81 cents to $1.01.

The securities side increased net income by 31 per cent in the fourth quarter, to $116m, while the credit card activity raised net income 20 per cent to $62.3m. For the year, the securities side earned $410m, an increase of 26 per cent, while the credit operation lifted net income 8 per cent to $447m.

Mr Philip Purcell, chairman and chief executive, said he was "really pleased" with the results. Strong financial markets lifted the securities operation, while the launch of new credit cards increased customer accounts and revenues on the credit side. Last week the firm announced a rise in its quarterly dividend, from 16 cents to 22 cents, and authorised a $250m share buy-back programme. *Maggie Urry, New York*

Quarterly setback for Shell Oil

Shell Oil of the US yesterday reported its biggest annual net profit in 10 years. However, a fourth-quarter decline of 11 per cent, to $286m before extraordinary items, disappointed stock markets.

Although both prices and production of crude oil increased in the three months to the end of December, lower margins for refined products and chemicals led to the fall in earnings, the Houston-based group said.

Similar trends showed up in final-quarter data from Exxon and Amoco, released on Monday, although most of the oil groups' figures have been distorted to some extent by extraordinary items. Shell's net earnings for the year, excluding special items, rose 26 per cent to $1.4bn. Before adjustment, the result showed a 199 per cent improvement to $1.52.

The Royal Dutch/Shell group subsidiary said increases in crude oil prices during the year were largely offset by lower prices for natural gas, although prices and production of both commodities improved in the closing quarter. Full-year revenues rose from $21.6bn to $24.7bn, while the final quarter improved from $6.5bn to $5.9bn.

Capital spending for the year reached almost $3bn, with the extra $500m concentrated in deep-water regions of the Gulf of Mexico. Increased oil production in this area off the Texas coast helped offset reductions elsewhere in the US, although hurricanes in the Gulf reduced gas output temporarily in the last quarter. Improved international oil production was mainly attributed to new production in China. *Christopher Parkes, Los Angeles*

Higher prices help Imperial Oil

Imperial Oil, Canada's biggest integrated oil company, which is 70 per cent held by Exxon, said higher crude oil and petrochemical prices offset lower gas prices and declining sales of petroleum products downstream in 1995. Net profit was C$514m (US$375.4m), or C$2.67 a share, up 43 per cent from C$359m, or C$1.85, in 1994, on revenues of C$9.4bn against $C8.9bn. Imperial closed the year with cash resources of C$1.8bn, up from C$1.3bn a year earlier. *Robert Gibbens, Montreal*

Cyprus Amax advances

Cyprus Amax, one of the world's largest coal and copper mining companies, reported fourth-quarter earnings up from $67m, or 68 cents a share, to $96m, or 98 cents. Revenues were $739m compared with $732m in the comparable period.

Cyprus said higher copper realisations, improved molybdenum results, higher sales of produced copper and lower copper cost of sales all helped the figures. For the year, net income was $124m, or $1.13, compared with $175m, or $1.69, with a 15 per cent increase in sales to $3.2bn.

Mr Milton Ward, chairman, said there had been "impressive gains in productivity and cost improvements" in 1995. He said five new operations due to begin production in 1996 and 1997 "will significantly improve the quality of our copper and gold assets". *Clare Gascoigne*

■ Bausch & Lomb, the US eye-wear group, is increasing its stake in its Indian venture, Bausch & Lomb India, to 51 per cent from its current 40 per cent, the company said yesterday. *Reuter, New Delhi*

Salomon continues recovery but disappoints

By Maggie Urry in New York

Fourth-quarter results from Salomon Inc – parent of Salomon Brothers, the investment bank – continued the turnround from losses incurred in the same period of 1994, but showed a fall in earnings from the strong third quarter.

The shares reacted badly, and fell $1⅛ to $36⅞ in morning trading.

Mr Warren Buffett's Berkshire Hathaway is a large shareholder in the group, and last October declined to convert a portion of its convertible stock into ordinary shares at a price of $38.

In the fourth quarter, net income was $168m, which compared with a loss of $157m in the 1994 final period but was down from $268m in the third quarter of 1995. Fully-diluted earnings per share were $1.32, against a loss of $1.65 in the comparable period and below the $2.10 achieved in the third quarter.

For the year, Salomon achieved net income of $457m against a deficit of $399m in 1994, a year when the Salomon Brothers subsidiary lost $963m before tax, including $278m of charges relating to book-keeping errors.

Salomon Brothers' revenues, net of interest, nearly tripled during the year from $1.08bn to $2.95bn. The improvement came from equity and fixed income sales and trading, with investment banking revenues falling slightly.

Most investment banks have recorded sharp rises in revenues in 1995 as the volume of underwritings and mergers and acquisition activity rose.

Analysts suggested that the controversy over Salomon Brothers last year, when an attempt to cut compensation led to several top-level resignations, could have unsettled clients.

In the fourth quarter, Salomon Brothers' pre-tax profits were $207m, compared with a $416m loss in the same period of 1994, but down from $381m in the third quarter.

The fall from the third quarter is understood to have been caused by a downturn in the proprietary trading business. However, Salomon no longer reports these profits separately from its client business.

Phibro, Salomon's commodity trading subsidiary, increased annual pre-tax profits from $81m to $85m, with fourth-quarter profits of $56m compared with a loss of $24m.

Phibro USA, the oil refining and marketing business, lost $91m during the year, after making a pre-tax profit of $18m in 1994. Salomon has made clear this is a non-core activity, and it is believed to be for sale.

US drugs groups come up to expectations

By Richard Waters in New York

Merck and Bristol-Myers Squibb each reported operating earnings growth in line with market expectations in the final three months of 1995, reflecting continued volume growth for a wide range of pharmaceuticals.

Both US groups saw little overall impact from price increases or foreign exchange fluctuations.

Merck's 18 per cent growth in sales, to nearly $4.6bn, was prompted by "solid unit volume gains" both in the US and overseas, and by continued growth in the company's managed care business, said Mr Raymond Gilmartin, chairman.

Had it not been for the formation of the Astra Merck joint venture during the period, sales for the quarter would have increased 25 per cent from the year before, Merck added.

The sales growth led to an 11 per cent increase in net income in the final quarter, to $856m, while earnings per share climbed 15 per cent to 70 cents.

After-tax profits for the full year also rose by 11 per cent, to $3.34bn, while earnings per share were 13 per cent higher at $2.70. Sales in 1995 reached $16.7bn, an increase of 11 per cent from the year before.

Bristol-Myers, meanwhile, said its fourth-quarter sales rose 11 per cent to $3.6bn, while full-year sales climbed 15 per cent to $13.8bn.

The company's latest figures reflected the pressure beginning to build on Capoten, its biggest-selling product, which lost its patent protection in Germany last year and comes off-patent in the US next month.

Capoten sales slipped $5m to $385m in the final quarter, and the company has predicted a further fall this year, although the decline will be limited by the fact that more than half of the drug's sales come from outside the US and Germany.

Sales of Taxol, an anti-cancer drug, reached $170m in the quarter, compared with $100m a year before.

Bristol-Myers' earnings were hit by a further charge to cover breast implant claims, which amounted to $590m after tax, and a previously-announced restructuring charge of $198m after tax.

It reported a fourth-quarter loss after tax of $142m, or 28 cents a share, compared with a profit of $98m, or 19 cents, a year before.

For 1995 as a whole, Bristol-Myers registered net income of $1.81bn, or $3.58 a share, compared with $1.84bn, or $3.62, in 1994.

Astra shares find relief in success of Losec

Shares in Astra, the Swedish pharmaceuticals group, rose sharply yesterday on news that Astra Merck, its US joint venture with Merck, had achieved a 77 per cent increase in sales of its anti-ulcer drug, Losec, in the fourth quarter of last year, writes Hugh Carnegy in Stockholm.

Astra's most-traded A share rose SKr4 to end the day at SKr260 in Stockholm, after Astra Merck reported that sales of Losec rose from $215m in the last quarter of 1994 to $380m – a much sharper increase than most analysts had expected.

However, the Swedish company warned that it was unlikely to sustain such rates of increase in sales. It said sales had been boosted by inventory-building that was not likely to continue.

Nevertheless, Astra estimated the underlying rate of growth in sales of Losec to end-customers in the US remained around 45 per cent – sustaining the powerful growth surge the drug has shown in recent years.

Astra Merck reported full-year Losec sales in 1995 of $1.36bn, a 51 per cent rise over 1994 sales of $900m. Astra executives expect Losec to overtake Zantec, the anti-ulcer drug produced by Britain's Glaxo, as the world's biggest selling drug some time this year.

The US figures came as a timely boost to Astra shares, which had weakened this month after the company warned that 1996 profits would be hit in the second half by a recent rise in the value of the Swedish krona.

Analysts forecasting pre-tax 1996 profits of above SKr14bn ($2.05bn) say the recent 10 per cent rise in the value of the currency could wipe out up to SKr2bn of Astra pre-tax profits after hedging programmes expire.

US paper groups confirm downturn

By Maggie Urry

Further evidence that paper companies are facing a downturn after a record period came yesterday from Georgia-Pacific and Weyerhaeuser's year-end statements.

The news hit shares of leading US paper groups in morning trading, with Georgia-Pacific down $⅞ to $67¼, Weyerhaeuser $1½ lower at $41½, and International Paper falling $1⅛ to $37⅞.

Both companies reporting yesterday said they faced weaker markets in the early part of 1996, despite record earnings in 1995. At Georgia-Pacific, Mr Pete Correll, chairman and chief executive, said: "We will see significant weakness in demand and sharply lower prices for most of our pulp and paper products for at least the first half of 1996."

He said that after three consecutive record quarters, the fourth quarter of 1995 had seen "a significant swing" to "much weaker" results. During 1995, strong demand for paper allowed the manufacturers to raise prices sharply – but customers responded by building stocks in anticipation of further price rises, and are now using those stocks.

Mr Correll said this led to softening prices and below-capacity production at the mills. Georgia-Pacific cut production in the fourth quarter by 200,000 tons. The group's annual production capacity is 8.7m tons.

Georgia-Pacific posted fourth-quarter net income up from $169m to $197m, and earnings per share ahead from $1.89 to $2.17. For the year, net income rose from $310m to $1.02bn, with earnings per share up from $3.48 to $11.29. Quarterly pulp and paper operating profits were up from $181m to $308m; building products fell from $262m to $108m.

At Weyerhaeuser, Mr John Creighton, president and chief executive, said: "Markets weakened in the fourth quarter for the first time in two years. It appears that this weakness is likely to persist into 1996 as customers continue to reduce their inventories."

The comments echo those from International Paper two weeks ago, which said weakness in the markets would continue into 1996. Boise Cascade said it could not expect to match its record 1995 profits in 1996.

Both companies reporting yesterday said their wood products businesses were affected by falling prices for lumber. Mr Correll said that "due to the challenging economic conditions ... we foresee an extended period of lower prices for our lumber and structural panels".

Weyerhaeuser's fourth-quarter net income rose from $189m to $251m, or from 91 cents to $1.25 per share. For the year, net income rose from $589m to $983m, with earnings per share up from $2.86 to $4.83. The latter figure excludes a 90 cent charge announced in the third term.

Texas Instruments operating profits surge

By Christopher Parkes in Los Angeles and Paul Taylor in London

Texas Instruments, the electronics and components group, yesterday reported a 47 per cent surge to $1.59bn in operating profits for the year to end-December, mainly reflecting strong semiconductor sales.

The group attributed its strong performance to further refinement in its long-term business strategies, productivity improvements, and a year of more than 40 per cent growth in the worldwide semiconductor market.

However, TI added that it sees world semiconductor market growth slowing from the recent levels to a more normal average of about 20 per cent a year – still better than the 30-year average of 15 per cent annual growth rate.

"The semiconductor content of electronic end equipment is increasing rapidly, and new semiconductor markets are rapidly emerging in Asia that will rival the size of major markets like Japan and the US in the next decade," said Mr Jerry Junkins, group president and chief executive.

TI manufactures memory chips, but it is also a leader in specialist and higher-margin digital signal processor chips used in telecommunications, personal computers and other devices.

According to data released yesterday, group earnings per share rose more than 50 per cent in the final quarter – jumping from 99 cents to $1.50 – boosting the full-year result to $5.63 against $3.63 in the comparable period.

Net profits for the quarter were $291m, compared with $188m, and $1bn for the year against $691m in 1994.

Operating results, which were diluted by higher investments and an unfavourable performance from notebook computers, were enhanced by refinements in TI's business strategy as well as the semiconductor demand boom, according to Mr Junkins.

"Although we appear to be entering a period of slower industry growth, we intend to step up our investments to strengthen TI's long-term position and build on the gains we have made in the past three years," he added.

Return on invested capital rose to 24.8 per cent, up from 19.5 per cent in 1994. Net revenues for the fourth quarter rose 30 per cent to $3.6bn, although notebook computers operated at a loss.

TI said its results for the quarter include substantially higher investments in marketing and new product development, as well as charges for streamlining operations in the software and notebook computer business.

Record quarter at Digital Equipment

By Paul Taylor

Digital Equipment, the US computer group, confirmed its return to financial health yesterday by reporting record quarterly revenues and strong profit growth, helped by demand for its high-performance Alpha systems.

The results underline the success of a now-completed restructuring programme launched by Mr Robert Palmer, chairman, at the end of 1994.

Net income of $148.8m, or 91 cents a common share, for the second quarter ended December 30, compared with net income of $18.9m, or 7 cents, for the same period last year.

The earnings soundly beat investors' expectations and the shares jumped $2 to $69.50 in morning trading on the New York Stock Exchange.

Total operating revenues for the quarter rose 14 per cent to $3.95bn, from $3.47bn a year earlier. This reflected strong demand across the group's range of systems and services.

Product revenues climbed 26 per cent to $2.35bn from $1.87bn, in what was the seventh consecutive quarter of year-on-year product revenue growth. Sales of its 64-bit Alpha systems grew 50 per cent over the prior year, driven by strong market demand for AlphaServer systems. Digital's total Alpha-generated revenue, since introduction three years ago, now exceeds $7bn.

Mr Palmer confirmed that both Digital's systems and personal computer businesses were profitable in the latest period.

Overall gross margins were 32.6 per cent, compared with 33.1 per cent for the comparable period and 32.2 per cent in the first quarter of this fiscal year.

"Digital is solidly into a strategic growth phase, as demonstrated by our highest quarterly revenue ever," Mr Palmer said.

"We enjoyed significant revenue growth in all of our product businesses and in our new service offerings. I am optimistic we will experience continued growth as we move into the second half of our fiscal year," he said.

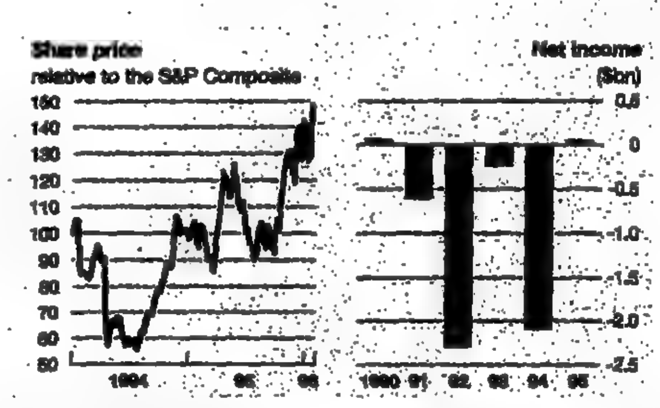
Mr Vincent Mullarkey, chief financial officer, added: "I am pleased that our efforts have produced five consecutive quarters of improving profits, on a year-over-year basis.

"We clearly achieved accelerated revenue and profit growth during the quarter. We are experiencing strong demand across the company for all of our new product and service offerings."

The company ended the period with about 61,100 employees, down 4,500 from a year ago and down 400 from the first quarter.

Digital Equipment

Market capitalisation	$10.2bn
Main listing	New York
Historic P/E	36.5
Gross yield	0
Earnings per share	3.90
Current share price	$69.50



Source: FT Extel

Overseas business drives growth at Nortel

By Bernard Simon in Toronto

A surge in business outside North America helped push Northern Telecom, the Toronto-based telecommunications equipment supplier, to a 16 per cent advance in net 1995 earnings. The improvement includes an 11 per cent fourth-quarter rise.

Nortel also benefited from an increasingly diversified product line. Switching equipment, which made up two-thirds of revenues in the 1980s, contracted to 44 per cent in 1994 and 40 per cent last year. Wireless revenues grew from 10 to 15 per cent of the total, from virtually nil a few years ago.

Net earnings climbed to US$473m, or $1.85 a common share, last year, from $408m, or $1.60, in 1994. The 1994 figures included one-time gains of $100m, or 40 cents a share, from asset disposals. Revenues rose by one-fifth to $10.7bn.

Order input reached a record $3.7bn in the three months to December 31, up 14 per cent from a year earlier. Fourth-quarter earnings rose to $250m, or 98 cents a share, from $225m, or 88 cents.

The earnings were in line with analysts' expectations, although one Canadian analyst said yesterday he was surprised by lower cash balances, caused by a build-up in inventory. Nortel told analysts that higher inventories were required to meet strong demand.

Nortel's shares are trading at near-record levels. The shares gained 25 cents to C$60 in early trading on the Toronto Stock Exchange yesterday, double their level three years ago when the company began a top-to-toe restructuring.

International revenues climbed to 39 per cent of the total last year, from 32 per cent in 1994 and 13 per cent in 1990. Europe made up three-fifths of sales outside North America, with the rest divided about equally between Latin America and the Caribbean, and the Asia-Pacific region.

The increase in European business was attributed partly to Nortel's strategy of seeking joint ventures with well-known local companies, including Matra Communications in France, Olivetti in Italy and Germany's Daimler-Benz Aerospace (Dasa).

Mr Peter Currie, Nortel chief financial officer, said the current turmoil at Daimler-Benz had not affected the joint venture, known as Nortel Dasa Network Systems. "They remain committed to telecommunications, as we remain committed to Germany," he said.

Nortel is especially eager to expand its fledgling wireless business. It is in the running for a large contract from a consortium comprising Sprint, the US long-distance company, and several cable TV operators, which aims to set up a national US wireless network.

Walt Disney beats analysts' forecasts with 3% rise

By Christopher Parkes

The US launch of *Toy Story* and the international debut of *Pocahontas* helped Walt Disney generate record first-quarter earnings of $496m from revenues up 16 per cent in the three months to end-December.

The 3 per cent profits increase, to 93 cents a share from 91 cents a year earlier, was better than expected.

Analysts' forecasts had been clouded by the view that the film division's record first quarter last time – boosted by *The Santa Clause* and the video release of *Snow White* – would be hard to beat.

Last time's earnings per share had been bolstered by a 6 cent gain from restructuring at Euro Disney, which this time translated to a loss of $22m.

In the event, film revenues rose 15 per cent, from $1.77bn to $2bn, helped by US sales of the *Cinderella* video and international release of *The Lion King* for home viewing.

The quarter, during which the group completed the acquisition of the Capital Cities/ABC broadcasting and entertainment conglomerate, which now awaits final clearance from the regulatory authorities, was also marked by a 14 per cent gain to $976m in revenues from the theme parks business.

Record attendances at the Californian and Florida resorts underscored the impact of international economic improvements on consumer confidence, as did a 19 per cent increase in revenues to $810m from the group's rapidly-growing chain of retail stores.

Second-quarter results are likely to show further benefits from the film division's continuing successes. Disney movies have started the year at the top of the US hit lists, and the international popularity of the innovative animation feature, *Toy Story*, is expected to show good returns.

This year's main animation project, *The Hunchback of Notre Dame*, is not due out until later in the year.

The company, which on Monday raised its dividend for the quarter by 22 per cent to 11 cents a share, said the theme parks benefited from new attractions, including the Indiana Jones Temple of the Forbidden Eye at Disneyland, Anaheim.

This park, the world's first, is scheduled to undergo an extensive revamp, starting in March, which will spell the end for large sections of the dated Tomorrowland attraction.

Only the bone-shaking Star Tours and Space Mountain, the blacked-out roller coaster, will survive in a Tomorrowland expected to be dominated by science fiction rather than the traditional futuristic "real world" themes of the past.

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Euro Disney cuts losses sharply in opening period

By Andrew Jack in Paris

Euro Disney, operator of the Paris-based theme park, yesterday reported a sharp drop in losses to FFr57m ($11.3m) for the first quarter of the year, in spite of the re-introduction of charges initially waived following its financial restructuring.

The park reported operating revenues up 17 per cent to FFr1bn, which it said reflected strong increases in park attendance and in hotel occupancy following changes to its pricing policies introduced last year.

The results compared with a loss in the first quarter of last year of FFr109m, although it followed the release last November of the group's first full-year profits, which stood at FFr114m for the 12 months to September 30.

Euro Disney said the latest results, which led to a modest rise in the share price, appeared to be in line with its projections that it was heading towards sustainable profits.

It stressed that the first quarter of its financial year – covering the months of October to December – was one of its two worst quarters, because it was outside the peak season for visitors.

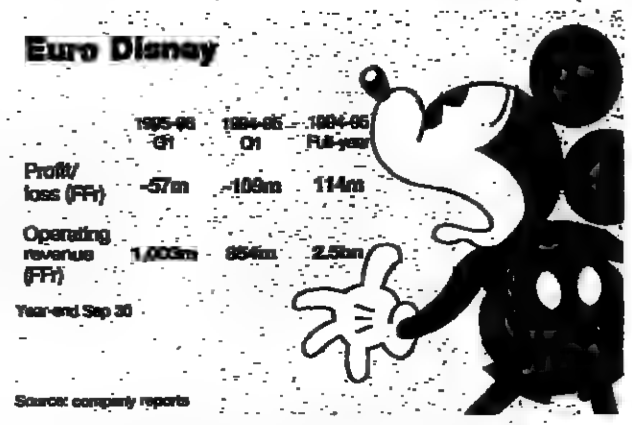
It said the 48 per cent reduction in losses, compared with the first quarter last year, came despite FFr37m in additional financial charges and leasing costs after being initially waived during the restructuring in 1994.

In addition, the latest attendance figures were generated during a time when France was severely affected by the industrial action which cut expenditure and froze transport links during November and December, as well as some concerns about terrorism. Euro Disney said the effect of these had been "very little".

However, during 1995 it cut its entrance prices and introduced greater flexibility into fees for hotels and food, linked to more aggressive campaigns to market the park.

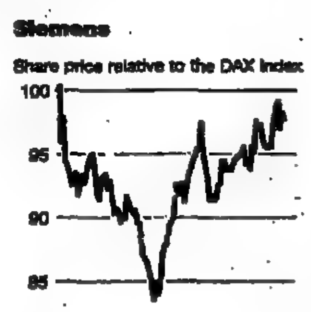
Mr Philippe Bourguignon, chairman, predicted last November the group would generate first-half losses for the current year, before returning to profitability for the full year.

Lex, Page 14; Walt Disney results, Page 16



Siemens upbeat after 12% rise in first quarter

By Wolfgang Münchau in Frankfurt



Siemens, the German electronics and electrical engineering company, yesterday said it was in line to achieve its forecast profit growth of between 20 per cent and 25 per cent in the current financial year. Last year the group posted profits of DM2.1bn ($1.4bn).

The prediction came as the group revealed that first-quarter net income had risen 12 per cent. Net income for the quarter to end-December rose to DM503m, compared with DM448m in the same period of 1994-95.

One of the driving forces behind the forecast rise in earnings this year is the expected fall in restructuring costs as Siemens' internal reorganisation programme approaches its completion.

Earnings were ahead in the energy, industry and components segments. The semiconductors business, which last year was the biggest contributor to profits after achieving a strong turnround over the past few years, also improved because of stable prices for memory chips.

Sales were up 6 per cent at DM19.7bn, boosted by a strong performance in foreign sales. Orders, however, showed a reverse pattern, with domestic orders stronger than the increase in foreign orders, to yield a total of DM22.2bn, unchanged from the same period in 1994-95.

Siemens said: "Both domestic and international products business showed above-average growth, helping to maintain orders at last year's high level, achieved with the help of major international projects."

It said a fall in large orders "reflects normal fluctuations in the projects business and will be offset during the course of the year".

The fall in international orders, however, is the result of the D-Mark's strength. Expressed in local currencies, international orders were up 2 per cent.

"The components, industry and communications segments once again posted high, in part double-digit, growth rates. The semiconductor group showed equally strong growth in Germany and abroad," Siemens said.

"Business in telecom components used for digital public exchange systems and mobile telephones as well as for memory devices and chipcard ICs remained buoyant."

● KWU, Siemens's power generation unit, expects new orders in the four months to January to be "on target", allowing it to match the full-year figure of DM9bn achieved in the year to September 1995, AFX News reports from Mülheim.

The company had reported new orders in the first quarter down 52 per cent to DM1bn from DM2.2bn a year earlier.

But Mr Adolf Huettl, chairman, said the decline was mainly caused by the postponement of certain large projects.

"We expect new orders to be on target and we are very confident we can achieve our goal for the year of matching last year's new orders," Mr Huettl said. Several big orders in January, including a DM550m contract with the UK's Seabank announced this week, would boost the four-month figure, he said.

BBV profits advance 16% for year

By David White in Madrid

Banco Bilbao Vizcaya (BBV), the biggest Spanish banking group in terms of its stock market value, yesterday announced a 16 per cent rise in attributable net profits last year, from Pta72.33bn to Pta84.01bn ($675m).

Predicting a further increase of at least 10 per cent this year, Mr Emilio Ybarra, chairman, said earnings growth was the strongest among main Spanish banks. BBV's chief rivals – Banco Santander, Banco Central Hispanoamericano and Argentaria – are due to announce 1995 results this week.

Mr Ybarra said the results had exceeded targets set for the year, the first year in a "1,000-day plan" aimed at securing leadership of the Spanish banking sector.

The bank is proposing a final divided of Pta72 a share, bringing the total for the year to Pta198 compared with for 1994, an increase of 13.8 per cent. Mr Ybarra said a further increase of 10 per cent or more was planned for the current year.

The relatively strong rise in consolidated net profits came after extraordinary losses of Pta925m, compared with extraordinary profits of Pta34.29bn the year before, and increased provisions for bad debts. Operating profits rose by what the bank termed a "spectacular" 36.8 per cent to Pta176.9bn.

BBV's development last year was marked by a drive for international expansion through the purchase of Banco Continental in Peru, along with Peruvian partners, and an increase in its stake in the Mexican Probursa group, of which it now holds 70 per cent.

At the same time the group invested Pta75bn in its Spanish industrial portfolio where it has built up its presence in the Telefónica telecommunications group, the stainless steel company Acerinox and the Repsol oil and gas concern.

Mr Ybarra said he was confident the bank would achieve consolidated pre-tax earnings this year of Pta160bn, compared with last year's Pta145.24bn, up 26.5 per cent over 1994. Provisions for loan risks were increased by 5.9 per cent last year from Pta48.72bn to Pta51.59bn.

Non-performing loans were now almost 86 per cent covered by provisions, compared with 70 per cent a year ago, Mr Ybarra said.

The group's operating profit, meanwhile, rose by 8.2 per cent to Pta304bn, but Mr Ybarra said that without the Peruvian and Mexican acquisitions the increase was only 0.4 per cent.

Roche history highlights failings

By Daniel Green

The driving force behind Roche's success has been its ability to make and market innovations

Roche, the Swiss pharmaceuticals group, was clumsy and self-righteous in its handling of a "series of unfortunate incidents" in the 1970s that did "enormous harm to the company's reputation".

That is one of the conclusions in a frank official history of the company, published yesterday at the start of a year of celebrations of Roche's centenary.

The "incidents" include accusations of profiteering from the sleeping pill Valium, which had made the company the biggest drug maker in the world in the 1960s, as well as a chemical accident.

The dispute led to enforced price cuts from the UK government to which Roche retaliated by withdrawing discounting arrangements. Then Roche gave journalists and television crews visiting the headquarters in Basel to cover the story "short-shrift", which only served to harden the media's already negative attitude.

The book, written by Professor Hans Peyer, a Swiss historian, also criticises Roche's management of the time over the "Stanley Adams affair".

Mr Adams was a Roche executive who, in 1973, passed confidential documents to the European Commission which led to a fine for breaching EC trade rules. The leaking of the documents was illegal under Swiss law and Roche pursued Adams through the courts until he was jailed in 1976.

The hounding of Mr Adams prolonged the bad publicity over the trade rules and other matters. "There can be no doubt that a quick solution to the affair ... would have been better for Roche than insistence on its legal rights with concomitant damage to the company's image," says Prof Peyer in the book.

Regarding the chemicals spillage in Seveso, Italy, in 1976, the book takes a more apologist tone. It lists the company's efforts to make amends – including SFr200m ($168m) in compensation to individuals and local and national governments in Italy.

But the cumulative effect of these events, says the book, was to generate an "anti-Roche" sentiment in many countries.

The blame is laid largely at the door of the then chairman, Mr Adolf Jann. He "tried to attack a changed world instead of meeting it halfway", says Prof Peyer.

As well as public failings, Roche management tried to conceal antiquated financial controls. The vast fortune being made from Valium – the Roche share price multiplied 10-fold during the 1960s – shielded the company against pressure to restructure.

The splitting of the company into divisions began only in 1974. In 1979, after Mr Jann's departure, it issued its first annual report that included consolidated accounts.

What above all made Roche a success was its ability to make and market innovations. It is a skill that has dominated from its founding by the scion of a Basle silk ribbon weaving family, through the privations of world wars and depression, to the recruitment of an outsider, Mr Fritz Gerber, as chairman in 1978.

Under Gerber's leadership, the errors of the 1970s gradually became history and the company recovered its poise. Today it is the most valuable company in its sector with a market capitalisation of almost SFr90bn.

● Roche will give a bonus to shareholders in honour of the centenary of the company's founding in 1896. The size will be revealed with the 1995 results scheduled for April 24.

In addition Mr Paul Sacher, 90, who has been on the board of directors since 1938, is to retire.

Mr Lukas Hoffmann and Mr Jakob Oeri will also retire from the board at the annual meeting, with Mr Andres Oeri and Mr André Hoffmann proposed as new board members.

The Hoffman and Oeri families own more than half the Roche voting shares in issue.

See Observer, Page 30

Further loan for Bremer Vulkan

By Michael Lindemann in Bonn

Bremer Vulkan, the troubled German shipyard whose share price see-sawed earlier this week, yesterday said it had received a further loan of DM220m ($149m) to cover the construction costs of a ship it is building.

The company's shares picked up DM4.50 on the news to reach DM29.60 at the close of trading.

Commerzbank, the company's bank, Dresdner Bank and the Bremer Landesbank, owned by the city state of Bremen, together put up the money after they had received a guarantee from Bremen. Bremer Vulkan received a loan of DM300m from the same banks last autumn when the problems at the yard, one of Europe's largest, first emerged.

The bridging loan helps Vulkan out of its immediate problems relating to the financing of the Costa II, a cruise ship for the Costa shipping line based in Italy.

However, the company still has to hammer out a DM750m package with its banks and several state governments to cover the costs of three east German yards which Bremer Vulkan has committed itself to invest in by 1997.

Mr Udo Wagner, the company's new chief executive who starts work next week, is also expected to draw up proposals for the restructuring of the shipbuilding group, which employs about 23,000.

The company first ran into trouble last year when it emerged that it faced losses of about DM200m at Dörries Scharmann, one of its engineering subsidiaries.

These problems were aggravated last autumn when it emerged that the company faced further problems related to rising costs at its Bremen yard.

Although Bremer Vulkan said it had orders on hand worth about DM7bn there are persistent rumours that the company is selling its ships at prices below production costs because its costs are too high.

Executives indicated that Mr Wagner, who was chief financial officer at the German subsidiary of the engineering group Asea Brown Boveri, may hive off the loss-making engineering units and concentrate on the group's core shipbuilding activities. "There will have to be a new concept for the company," said one banker.

Mr Wagner is likely, however, to be able to rely on support from the heavily-indebted city state of Bremen – where Bremer Vulkan is the biggest single employer – and the north-eastern state of Mecklenburg-Vorpommern, home of the three east German yards which are part of the shipbuilding group.

EUROPEAN NEWS DIGEST

BPI ahead 22% on securities trading

Banco Português de Investimento, Portugal's leading investment bank, yesterday reported a 22 per cent increase in net consolidated profits for 1995 from Es7.9bn in 1994 to Es9.7bn ($63.5m). The group announced the profit increase four days after launching a Es132bn takeover bid for Banco Fomento e Exterior, a bigger state-controlled competitor. The success of the offer depends on government approval.

BPI said total assets rose 21 per cent in 1995, from Es1,157bn to Es1,396bn. The group's strongest growth area was in securities trading and portfolio investment, where earnings increased 69 per cent, from Es2.7bn to Es4.7bn. Total lending rose 17 per cent, with a 41 per cent increase in mortgage loans and a 38 per cent rise in car-purchase loans. However, total deposits fell 4 per cent to Es681bn. Earnings from financial intermediation and fee-based operations rose by less than 1 per cent each to Es30.2bn and Es8bn respectively.

Provisions against bad debt fell 33 per cent to Es4.2bn. BPI said loans more than 90 days overdue fell to 4.3 per cent of total credit, compared with 4.9 per cent in 1994. Provisions covered 104 per cent of overdue loans in December, the bank said.

Peter Wise, Lisbon

BNP, Dresdner in Hungary move

Banque Nationale de Paris and Dresdner Bank of Germany have each taken a 50 per cent stake in Hungary's BKD Bank, a joint venture bank which they helped found in 1990. The two banks have increased their stakes from 37 per cent by acquiring the 26 per cent held by Kereskedelmi Bank, a large state-owned Hungarian commercial bank, BKD said yesterday.

Unlike many countries in the former Eastern bloc, Hungary has encouraged foreign banks to set up local operations. About half of the country's 40-odd commercial banks are either subsidiaries of western banks or majority foreign-owned. BKD said preliminary results showed it had increased its balance sheet total to Ft35bn ($250m) in 1995, up from Ft22bn in 1994, while net income rose 30 per cent to Ft1.8bn.

Virginia Marsh, Budapest

Premafin replaces chairman

Premafin, the troubled Italian holding company, has moved to distance itself from Mr Salvatore Ligresti, known as "the king of Milan concrete", by replacing him as chairman. The move marks a further downturn in the fortunes of Mr Ligresti, who became one of the first Italian businessmen to be caught up in the Tangentopoli bribes scandal and is still involved in court hearings.

Mr Ligresti, who leaves Premafin's board but remains majority shareholder, has been succeeded by Mr Carlo Ciani, the vice-chairman, who has been implementing the rescue plan put in place when Mediobanca, the Milan merchant bank, came to the aid of the heavily indebted group in 1993. Mr Ligresti last year also surrendered the helm at Grassetto, the group's construction arm, but remains in charge of Sai, the insurance company regarded as the jewel of the Premafin portfolio.

John Simkins, Milan

Saurer cuts senior management

Saurer Group, the troubled Swiss textile machinery and components maker, will take a charge of SFr19m ($16m) in 1995 that will cover the costs of shutting a finance company in Monaco and buying out the contracts of some of its directors and management. Mr Ernst Thomke, chief executive, said three members of Saurer's board of directors had already left and that Saurer's central management was also being cut back sharply. While this would save SFr3m in 1995 salaries, he said there were also high settlement costs connected to the cuts. By 1996 the savings on salaries should amount to SFr6m compared with 1994. Saurer expects a net loss of SFr75m in 1995, after a loss of SFr27.7m in 1994. The 1995 loss includes restructuring charges of SFr67m.

Reuter, Zurich

■ *The German cartel office will not rule on the takeover* battle between Holzmann and Hochtief, two of Germany's biggest construction companies, until at least April. The cartel office was originally required to report by the end of this month but said further investigations were necessary.

Michael Lindemann, Bonn

■ Seita, the newly-privatised French tobacco company, reported a 1.8 per cent rise in net profit to FFr670m ($132.8m) last year, chiefly because of better returns from the tax revenue it holds short-term before passing them on to the government. Seita said operating profits fell from FFr1.01bn in 1994 to FFr920m last year because it had lost market share in France, where overall sales had been depressed because of value-added tax increases. By contrast, foreign sales rose 5 per cent. Seita, which last month bought ZPT Radom, the third largest cigarette maker in Poland, said it hoped for "significant growth" in profits this year. *David Buchan, Paris*

■ The new managing director of Fiat's core cars division is to be Mr Roberto Testore, head of the company's Comau automation subsidiary, according to a report by Ansa news agency yesterday. Fiat refused to comment and said a decision on a successor to Mr Paola Cantarella would be announced on January 31.

John Simkins

New chief seeks to lift Goodman Fielder gloom

David Hearn believes that he can succeed where his four predecessors have failed, writes Nikki Tait

To describe the job of running Goodman Fielder, Australasia's largest food manufacturer, as a poisoned chalice might be a touch unfair.

But it is a cup which has been passed to four chief executives in six years. Three have left without seeing the company move off the profits plateau established in the late 1980s, while shareholder angst over the lacklustre share price performance has multiplied.

Now the holder is Mr David Hearn, brought in from United Biscuits of the UK last September after institutional ire bubbled over into a public row with the Goodman board and led to a general overhaul of management and directors.

This time, analysts are more hopeful. Initial optimism that 1995-96 could see a significant lift in profits has dissipated, largely because of the company's caution at its annual meeting in November. However, most pundits are pencilling in a marked improvement in the following 12 months. Analysts at Prudential Bache, for example, forecast profits of A$100m (US$73.2m) in 1995-96, compared with last time's A$97.3m, but are looking for a near 13 per cent rise in earnings per share in 1997.

With Mr Hearn still unpackaging his recently-arrived UK furniture, it is too early to tell whether this optimism will be justified. But already there are signs that the winds of change are blowing. An internal management reorganisation has been instigated, grouping businesses on product lines rather than on an overlapping product/geographical basis, for example. A new centralised marketing role has been created. There has also been talk of sharper cash management systems.

One big question, however, is whether any amount of improved internal management will overcome Goodman's core problem – the commodity nature of its food products, and the associated difficulty in pushing up margins.

The company was put together through a series of acquisitions and mergers in the debt-happy 1980s, and today about one-third of its A$4bn annual sales come from milling and baking, poultry and food ingredients.

Mr Hearn acknowledges the structure of the business, but argues that the absence of fancy branding opportunities is not necessarily a death-knell. "I don't know if the portfolio is correct, in that it'll always be exactly this way," he says, "but I don't see any reason why it is incorrect".

"We can make good returns out of our current portfolio. I don't feel we're too much in the commodity area, but I do think we don't put enough effort on being really differentiated in both branded and unbranded products. The key to making money, particularly in a commodity area, is a combination of very strong cost control and a focus on delivering differentiation in your product mix."

David Hearn: sees cost cuts but 'without radical surgery' Reuter

He cites Goodman's starch business, and its development of the "Hi-maize" product, which raises fibre content without altering taste or appearance, as an example of path the company should follow. The development of packaged pre-mixes tailored to end-users' requirements rather than the simple sale of bulk flour, is another.

The new chief executive also argues that the Australian food retail market, traditionally more price-driven than in the UK or much of northern Europe, is running in Goodman's favour. "Retailers here are trying to move towards a more quality basis – fresh, particularly, is the big area they're fighting over," he says.

"I think it places Goodman quite well. There are relatively few retailers and therefore they have a lot of power. Our size and scale allows us to have good relationships because we're more equal, and should also give us cost advantages. But our desire is to move the product mix more upmarket and that's something we have in common with the retailers".

Cost-cutting, though, will be critical. "Nobody in the world is running a significant food company without thinking every year of having to take significant cost out. I think there's quite a lot of cost to come out, but without having to do radical surgery."

Mr Hearn downplays factory closures, but cites transport, distribution, warehousing, logistics, administration, and finance, as areas where there is either "significant duplication" between divisions or scope for efficiencies.

Initially, it looked as if progress might have to await the overdue appointment of a new finance director. But last Friday, Goodman stepped up the tempo, appointing Mr Tony Sherlock, a partner at Coopers & Lybrand, to co-ordinate several financial projects central to the company's "urgent agenda", while it continues the search for a permanent finance chief. Mr Sherlock, who has handled a number of high-profile corporate administrations, is well-known in Sydney circles as a company doctor.

If repositioning and restructuring the group at home are the main priorities, there is also the question of how Goodman should position itself overseas. This has been an ambivalent issue in recent years, with one former chief executive forecasting A$1bn of sales in Asia by 2000, only to have his successor downplay short-term expansion there.

Previous managements sold the Wattie's canned and frozen food business in New Zealand to Mr Tony O'Reilly's Heinz group and, more recently, the Singapore-based food distribution interests. As a result, today's company looks rather unbalanced. It comprises a large Australasian business, a number of fairly embryonic joint ventures in Asia, and a significant baking unit – annual sales are over A$1bn – in Europe.

A sale of the European business is periodically mooted in Australia, but Mr Hearn downplays the possibility. Europe, he says, should fit for the medium term. "The two large markets for our type of product – western food – are clearly the US and Europe, so if we're going to have aspirations to be a world-class player, we're going to have to be in one of them."

"We have a business of real scale, mirroring some of our advantages here, in Holland, and I'm keen to develop it".

But Asia, he admits, may be a slow haul. Once exports sales are added in, Goodman's turnover in the region is about A$150m. "We're going to push our exports very hard, but, no, we're not going to rush to exploit or expand our in-field operations in Asia for while," says Hearn. "We're going to get our business here humming before we go offshore. We've got some good joint ventures, and that's more than enough for us to chew on".

In the short-term, the stock market may not mind too much. It has pushed Goodman's shares up by about 30 per cent since Mr Hearn's arrival, largely on the hope that a steady, experience hand at the tiller will deliver results. Even so, analysts warn that the window of opportunity is not wide: "The market does have enhanced confidence – but I reckon he's got about 12 months," says one.

Taiwan group's offer to test appetite for China stocks

By Louise Lucas in Hong Kong

Investor interest in China stocks – companies with a strong exposure to China – is to be put to the test with the announcement by a Taiwan-owned noodle manufacturer that it plans to raise up to HK$1.38bn (US$178m) with a listing on the Hong Kong stock exchange.

China stocks – commonly known as "red chips" – fell out of favour towards the end of last year.

Tingyi (Cayman Islands) Holdings Corp is offering a total 811.09m shares at a price of between HK$1.40 and HK$1.70.

Of these, 121.66m will be sold to the Hong Kong public; the balance will be placed in both the colony and internationally.

The company, founded four years ago, is one of the biggest names in instant noodles in China. Its "Master Kang" is China's leading brand of convenience food and it produces more than 30 kinds of instant noodles.

By the year end, the company aims to have 38 production lines in the mainland making some 14.8m packs a day.

In common with a number of recent China offerings, Tingyi is using the book building method.

The top price of $1.70 puts the stock on a multiple of 12.6 times 1995 earnings on a fully diluted basis; the bottom price represents a multiple of 10.3 times.

The issue comes on the heels of Jingwei Textile Machinery Co's HK$201.6m offering, originally scheduled for November but postponed as the share prices of Chinese companies sank to record lows amid concerns of axed subsidies and import tariff reductions creating a more competitive marketplace.

Jingwei is the year's first H share listing, the name given to Chinese enterprises trading on the Hong Kong stock exchange.

Shares in Jingwei will start trading on February 2. Jingwei is the cheapest H share to date: the HK$1.29 a share price tag translates into a price earnings multiple of 7.2 times 1995 earnings and 6.3 times this year's earnings. That compares with the 17.9 times multiple pitched by pioneering H share company Tsingtao Brewery in July 1993, at the height of the frenzy for China equity.

By contrast, investors spent much of last year shunning red chips. Apollo, a mainland health and tonic drinks group, saw its HK$300m issue just 22 per cent subscribed when it offered shares in Hong Kong last month.

Global co-ordinator and sponsor to the Tingyi issue is Deutsche Morgan Grenfell; Jingwei is sponsored by Peregrine Capital.

NEWS DIGEST

Two Japan banks, broker downgraded

Moody's, the US credit rating agency, said yesterday it had lowered the long-term senior debt ratings of two of Japan's largest banks and a leading stockbroker. Sakura Bank's long-term debt rating was reduced from A2 to A1, while its short-term ratings were lowered from Prime 1 to Prime 2. The Long-Term Credit Bank of Japan's long-term senior debt rating was reduced from A3 to Baa1. LTCB's short-term rating for deposits was left unchanged at Prime 2.

The agency said both banks' creditworthiness had suffered from the large volume of problem assets on their loan books. They would require several more years to restore their balance sheets to health, a period in which their stronger competitors were likely to make better progress.

Moody's also lowered the long-term senior debt rating of Yamaichi Securities, Japan's third largest stockbroker, from Baa2 to Baa3. The broker's financial fundamentals and franchise had suffered a severe deterioration in the past five years due to the collapse of Japanese asset prices, the agency said. The equity bear market had been accompanied in Yamaichi's case by insufficiently aggressive strategic repositioning and cost control. The company's commercial paper rating was left unchanged at Prime 3.

Gerard Baker, Tokyo

Smorgon may float steel arm

Smorgon Consolidated Industries, the large privately-owned Australian conglomerate, said yesterday it had appointed JB Were and SBC Warburg Australia as joint lead managers for a potential stock market flotation of its steel business. Smorgon Steel has been estimated to be worth more than A$800m (US$585m).

Last February, the Smorgon family announced it had decided to break up and sell its diverse business empire, which also takes in interests in the meat, forestry and plastics industries. The steel group is one of the main elements in the disposal plan. Despite the appointment of the joint lead managers, the company still plans to pursue a parallel trade sale-flotation process, with a decision on which option to take being made later. *Nikki Tait, Sydney*

Premier sells Clicks chain

Premier Group, the South African food, pharmaceuticals and retail group that has R1bn ($274m) of debt, has sold its Clicks retail chain to Malbak, the South African consumer group, for R843m. The deal, which is effective retroactively to November 1 1995, ends months of delays as Premier held out for 356 cents a share for its 50.5 per cent stake – more than double previous estimates.

Clicks' business comprises a national minimarket chain of 159 outlets, serving upper income groups; South Africa's fastest growing retailer; the 127-store Diskom chain; and Musica, a specialist music retailer with 88 stores. Malbak already has significant market shares in the food, paper, plastic and metal packaging, medicinal and healthcare, motor and furniture retail and electrical appliance industries. Premier will delist the existing Clicks stock and give shareholders the option to reinvest in a new Malbak subsidiary, New Clicks Holdings. *Mark Ashurst, Johannesburg*

Wesfarmers warns of profits fall

Wesfarmers, the Western Australian rural products group, yesterday warned of a profits fall – and possible cut in dividend payments – due to a depressed wool market and a downturn in the housing cycle. The company is due to announce interim financial results on February 9. *Nikki Tait*

A novel way to enter the Olympics

The builder of the stadium has hit upon an innovative funding device, reports Nikki Tait

Psst...want a ticket to the Sydney Olympic Games in 2000? If so, help supply the funds to build the A$463m (US$339m) stadium, where the opening ceremony and many of the track and field events will be staged.

That is the innovative deal being offered by Multiplex Constructions, the building company which yesterday won the contract to build the 110,000-seat stadium, and its local financial advisers. There is only one catch: you have to be Australian.

The consortium is proposing to raise A$300m of equity funds for the project through the sale of units in a stock exchange listed property trust. The 30,000 units will be sold at A$10,000 each, and will give each holder the right to buy a ticket to all Olympic events held in the stadium.

The Olympic ticket access will apply only to the original holder of the property trust unit, and will be lost once the units are traded.

However, the ownership of units will continue to entitle investors to 30-year membership of the stadium after the Sydney games have finished and to dividends paid out by the trust.

Financial advisers admit that the funding idea is novel, but say it has already been quietly test-marketed. They are confident there will be demand for the units – not least from smaller companies, unable to afford big sponsorship deals but anxious to take their favoured clients to the games.

A limit is likely to be placed on the number of units which any individual or single entity can apply for – probably six – and the present plan is to accept applications only from Australian residents or companies.

If all goes smoothly, the funding scheme should help ease the pressure on state government finances.

The New South Wales government will still contribute A$135m to the stadium project, but this sum is now A$50m less than the amount allocated in the 1995-96 state budget and A$157m below the figure estimated in 1992 when Sydney made its bid for the games.

"The government believes the Australia Stadium 2000 proposal will minimise the financial impact on the state's Olympic Games capital works budget, and minimise the commercial risk to the government," Mr Bob Carr, state premier, said yesterday.

There have been fears in Sydney recently that the cost of hosting the games could escalate well beyond original forecasts.

Multiplex, whose construction partner for the stadium will be Japan's Obayashi, edged out rival bidders – including the Lend Lease/Transfield and CRI/Baulderstone Hornibrook consortia – to win the contract. Its principal financial advisers were Hambros Australia and Sydney-based Macquarie Bank.

A prospectus for the stadium trust is due to be issued in about three months, and construction of the stadium is likely to begin in August, several months later than originally projected.

GRANADA CAPTURES FORTE

Beyond rebuilding morale at Forte, Gerry Robinson faces three challenges, explain **David Blackwell** and **Martin Dickson**

The war is won but big battles still lie ahead

Granada Group has proved victorious, but now faces a much more difficult proposition: living up to its promise to make Forte's assets perform, thus enhancing the earnings of the combined group.

The very first task confronting Gerry Robinson, Granada's chief executive, will be to try to salvage morale within the Forte group, battered by 60 days of fighting and the humiliation of defeat.

He will be meeting senior managers and staff at all levels of Forte over the next few days. Beyond that, he faces three main challenges:

● Integrating into Granada the parts of Forte he wants to keep – mainly its roadside restaurants and lodges, and mid-market Posthouse hotels – and improving their profits by a promised £100m a year.

● Selling off other businesses, most notably Forte's group of super-luxury Exclusive hotels, such as London's Grosvenor House, and its international chain of Méridien hotels, which together have a book value of £1.6bn. Some £500m of additional assets are on the block, including Forte's 68 per cent stake in the Savoy Hotel group.

Granada wants to sell Exclusive and Méridien to a single buyer, using Forte plc as a vehicle for the transaction since this would be most tax efficient. There is speculation it is talking to a financial buyer, possibly the US investment house Kohlberg, Kravis Roberts.

● Reducing Granada's debt, which at the end of the bid will stand at about £3.5bn, against net assets after goodwill write-offs of some £1.44bn.

From the outset of the campaign, Granada argued that it would be able to make at least £100m of additional profits from Forte businesses in the first full year of operations (to January 1998) and it took six pages of its final offer document to spell this out in detail.

The largest single item consists of £24m of savings which had already been identified by Forte as part of its defence campaign.

Other measures include the closure of Forte's London headquarters in Holborn, where 290 people work, and absorbing all central functions into the existing Granada team. Granada's catering management will run the enlarged restaurants operation, including Forte's Little Chef and Happy Eater chains. A small team will take on the remaining hotel business after the Exclusive and Méridien chains are sold. There will be job losses, but Mr Robinson said yesterday that they would less than 1,000.

Further savings of £20m will come through a reduction of 5 per cent on food and beverage purchasing prices – a level "at the lower end of Granada's expectations". The group also expects purchasing savings from the imposition of its management systems, while the number of suppliers will be rationalised – Forte had 500 compared with 47 for Granada.

It also claims that better management of the core Travelodge and Posthouse hotel chains, concentrating on the brands and pricing strategy, can lift annual profits by at least 3 per cent, or about £18m.

In roadside restaurants, Mr Robinson plans to introduce "branded operations" – such as Burger King outlets – to at least 100 Little Chef sites in an attempt to appeal to younger customers, while revitalising the remaining 330 outlets. Granada says that the increased sales will yield annual profit improvements of £20m.

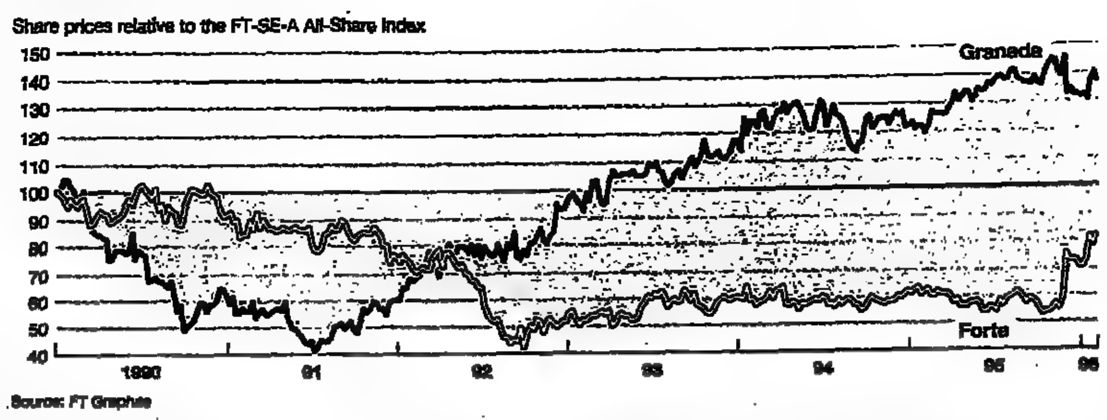
However, Forte argued that Granada's plans demonstrated that it did not fully understand the businesses, and hostile bidders can find nasty surprises when they finally get to grips with their acquisitions.

As for debt, Granada's position would be transformed by the sale of the upmarket hotels and other assets. Analysts estimate that speedy disposals at book value, coupled with free cash flow from the combined businesses, could cut debt to £1.25bn by September, giving gearing of about 70 per cent. This would fall to 50 per cent if Granada's stake in the BSkyB satellite television business was revalued on the balance sheet. Interest payments would be covered a healthy eight times. However, factors beyond Granada's control could delay the hotels sale, and it might not get the price it hopes for them.

The company insists it does not need to sell in a hurry, since interest payments would still be four times covered – more than Forte has achieved recently. That takes account of capital spending plans for the combined group. Gearing would be about 160 per cent next September (excluding a BSkyB revaluation).

Finally, Granada plans to axe Forte's symbols of corporate largesse. The corporate jet is expected to go, and the Prix de L'Arc de Triomphe will be looking for a new sponsor.

Reversal of fortunes



Source: FT Graphite

■ DISPOSALS – By Scheherazade Daneshkhu

Top hotels go on the auction block

Overnight, Granada has become the UK's largest hotelier with more than 60,000 rooms worldwide to add to its modest 1,400.

But if all goes to plan, it expects to shed almost half that number – 27,000 – within six months through the disposal of Forte's 18 upmarket Exclusive hotels and the 85-strong Méridien chain. This includes the Waldorf in London, the first hotel acquired by Lord Forte, the company's founder, in 1958. Most of the hotels are outside the UK, and more than half are run on management contracts.

Granada aims to sell most of the hotels in one package, minimising its tax liability. Exclusives that might attract higher prices will be sold individually, notably the Plaza Athénée in New York, the Georges V in Paris and the Grosvenor House in London.

The two groups of hotels have a book value of £1.62bn, with the Exclusives accounting for £910m. Kleinwort Benson, the broker, says that if Granada sells at its target price of book value, it will be underselling the hotels by up to £330m.

Many hotel consultants doubt it will be easy to find a single buyer. "It's one thing to show interest, quite another to write out a cheque," said one. Potential buyers include Kohlberg, Kravis Roberts, the US leveraged buy-out specialist. KKR made its first foray into Europe recently with the £205m acquisition of Reed Regional Newspapers, a UK subsidiary of Reed Elsevier. The purchase was put together by Glenisla Group, KKR's London affiliate set up by Mr Ian Martin – one of Granada's non-executive directors.

International hotel chains looking to expand include ITT Sheraton, which beat Forte in 1994 to acquire Ciga, the Italian luxury hotels group, and Marriott, which has a holding in Ritz-Carlton.

Bass, which owns Holiday Inn, the franchised hotel operation, and Accor, are believed to be interested in Méridien.

Wealthy investors, such as Prince Al Waleed, who supported Accor's unsuccessful bid for Méridien, and the Sultan of Brunei, as well as east Asian hotel groups, such as Mandarin Oriental, are also prepared to make acquisitions. Prince Al Waleed, who has a 25 per cent holding in Four Seasons, the Canada-based group, may also have his sights on Forte's 68 per cent holding in the Savoy group. Mr Ramon Pajares, Savoy's managing-director, was general-manager of London's Four Seasons hotel for 15 years.

The main target of Granada's bid among Forte's hotels are the mid-market Posthouse and budget Travelodge chains. Forte's other main hotel groups – Heritage, White Hart and unbranded London hotels, such as the Cumberland and Strand Palace – may also be sold. Some Heritage hotels will be integrated into the Posthouse chain.

Regal Hotel Group still hopes to buy most of Forte's White Hart chain for £122m, a deal it agreed with Forte on Friday. Mr Charles Vere Nicoll, chief executive, said yesterday he hoped the contract would survive the takeover, but that Granada had the right to withdraw or renegotiate it. "We hope to be in discussions with Granada as soon as they are ready," said Mr Nicoll, who founded Regal in 1993 with three hotels.

■ GERRY ROBINSON – By David Blackwell

Marathon man almost lost for words

Gerry Robinson, who has shown many times in the last 60 days that he long ago kissed the Blarney stone in his native Ireland, was almost lost for words yesterday.

"I'm delighted," Granada's chief executive told the hastily arranged press conference at London Weekend Television after his victory over Forte was announced.

Clearly cock-a-hoop at the extent of Forte's defeat, he paid the customary tribute to his adversary – referring to "the very spirited defence by Sir Rocco". But he sounded more sincere in calling an end to the campaign, which he described as "a very long drawn out affair" – the dark rings under his eyes bearing witness to his marathon tour of City institutions.

The takeover represents the culmination of two years' study of the UK's leading hotels group with his long-term partner Charles Allen. Mr Allen – the one with the eye for detail, according to Mr Robinson – becomes chief executive of Granada Group later this year when Mr Robinson becomes chairman.

The latest victory marks Mr Robinson's second successful hostile bid in less than two years – LWT succumbed in February 1994. But the man who turned Granada round will be under no illusion that he has to keep his promises on Forte. Institutions have made it abundantly clear that they expect a smooth disposal of the unwanted hotels as well as the much vaunted £100m improvement in profits.

Mr Robinson has no doubts that Granada will be able to deliver on both fronts – in fact his confidence has been a hallmark of the campaign since the bid was launched on November 22. He spent Christmas and the new year on holiday at his family home in Donegal, seemingly unworried as Forte recovered from its initial surprise and seized the initiative in the public relations battle.

His relaxed style of management – he likes to leave work by 5.30pm – is well known. But the strain did break through at a press conference earlier this month when Granada raised its offer by about 15 per cent.

He slapped down a journalist who described an unpleasant experience at a "garish and nasty" Granada motorway restaurant. But later the Irish charm resurfaced and he apologised, explaining that he was suffering from an abscess on a tooth.

Nevertheless, it is clear that he does not suffer fools gladly, and he has made no secret of his contempt for Forte's management. He even had a cartoon commissioned showing Sir Rocco as a waiter with a tray full of Forte disposals and the caption "Daddy I shrunk the company".

He also has no mean eye for detail himself. He did not hesitate to show around the City a photograph of the Strand Palace hotel on Christmas Eve – so many neon-lit letters were broken that the sign read RAND ACE hotel.

The contrast between Mr Robinson and Sir Rocco Forte could not be starker. While Sir Rocco enjoyed a privileged upbringing, Mr Robinson, the ninth of 10 children of a carpenter, worked his way up from the bottom.

Both men enjoy playing golf, but have met competitively only once. On that occasion Sir Rocco beat Mr Robinson easily.

■ SIR ROCCO

'I'll be back' says heir to empire

Sir Rocco Forte is a hotelier, born and bred. He never contemplated a career other than that of joining the company his father, Lord Forte, founded with the Meadow Milk Bar in London's Regent Street just over 60 years ago, writes Scheherazade Daneshkhu.

As the only son, Sir Rocco was bound to be compared with his father. In an incident recorded in Lord Forte's autobiography, even his mother once said to him: "If you are ever as good as your father..." before being told by the then Charles Forte that such talk would only cause a rift between father and son.

While Lord Forte – still president at 87 – built up the company, Sir Rocco will inevitably be seen as having lost it. That would be too harsh a judgment. His sympathisers argue that, although Sir Rocco became chief executive in 1982, he has only had real power since he took over as chairman in 1992.

"The roots of this lie in the 1980s when Forte [group] went to sleep under Charles Forte," said one observer. "No one appreciates how difficult it was for Rocco to get his father off the board."

Since he took over as chairman there has been a shake-up, including several large disposals, the creation of a new management team, and the acquisition of Méridien, the international hotel chain, from Air France.

Sir Rocco was also instrumental in brokering a peace agreement with the Savoy group. Forte's management and the charitable trusts, against which Forte unsuccessfully waged a 15-year battle for control of Savoy, agreed to work together under a new managing-director, Mr Ramon Pajares.

However, analysts have criticised the company for hanging on to its Savoy stake, and for the time taken to rebrand its hotels.

Well liked by his staff, Sir Rocco has few enemies. "He's slightly brusque in manner and dismissive, but he's very able, hard working and tenacious. Altogether a very decent bloke," said one outside associate.

Mr John Bodie, senior partner at DE & J Levy, surveyors, whose founder Mr Joe Levy, arranged many of Lord Forte's early property purchases, said yesterday: "It is a great tragedy. The company was built up effectively; it had a bad time after the Gulf war and now it is to be dismembered just at the moment when the business had taken off."

Given Sir Rocco's background, many observers expect him to remain in the hotel industry. There has even been speculation that he might participate in some of the hotel disposals which Granada is to make.

The 18.8m shares he holds in Forte along with share options and his emoluments as director should gross him about £73m, but a portion would be spent on settling debt raised to fund the purchase of 3.9m Forte shares on Friday at 376p a share and a further 525,000 at 377p on Monday.

Ms Olga Polizzi, his sister and a Forte director, also has shares and remuneration worth about £40m.

"I'll be back," was all Sir Rocco would say as he left Forte's grey and black headquarters at Holburn last night.

■ THE OPTIONS FOR WHITBREAD – By Roderick Oram

Prime catch has slipped through the fingers

"We gave it our best shot," Whitbread said yesterday as Granada's victory prevented it buying Forte's roadside restaurant chains and budget hotels for £1.05bn.

"We're disappointed but it was an opportunistic deal. We will continue to build up our restaurants and hotels through other acquisitions and organic growth."

A prime catch has slipped through Whitbread's fingers. The assets were 430 roadside restaurants under the Little Chef and Happy Eater names, 26 Welcome Break motorway service stations, 55 Côte France motorway service stations and 127 Travelodge budget hotels. As a consolation prize, it might be able to buy the Welcome Breaks from Granada.

Fighting for the deal, Whitbread had criticised Granada's plans for the restaurants. It said that Granada's aim of cutting 5 per cent from purchasing costs would be achieved only at the expense of quality.

As it lost out on the Forte assets for reasons beyond its control, the failure should not be added to its list of near misses – such as the Chef & Brewer pub chain and Courage, the brewer. But having excited the City with the prospect of a quantum leap in its business, it will have to work hard to achieve a similar jump in scale in other ways.

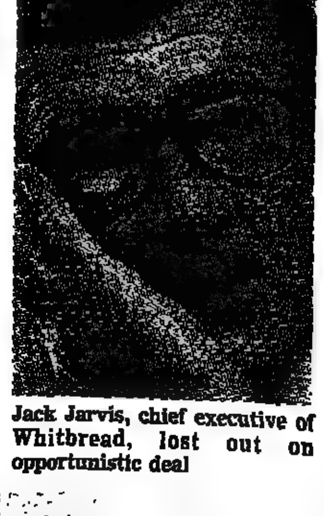
It currently runs restaurants with some £800m of turnover a year, under such names as Beefeater, TGI Friday's and Pizza Hut. It continues to expand the chains rapidly, adding, for example, about 15 Beefeaters a year and two or three Friday's, which are much larger units.

It is known to be searching for another restaurant concept to license following its success with brands it has bought, such as Friday's. Market speculation has suggested an interest in PizzaExpress. Certainly, Whitbread admires PizzaExpress, which has outperformed Pizza Hut – its joint venture with PepsiCo, US owner of the brand.

Whitbread also wants to expand its very limited foreign exposure to restaurants. Its bridgeheads are Churrasco and Maredo, two German steak house chains, and The Keg, a North American steak house chain. Whitbread has had some setbacks along the way, deciding to sell, for example, its Keg restaurants in Australia.

Losing out on Forte's Travelodge hotels is a particular disappointment. Coupled with its own Travel Inn chain, they would have made the largest budget chain in the UK.

Fortunately, Whitbread has reinforced the credibility of its hotel strategy by paying £180m for 16 Marriott hotels in the UK and the national franchise. This made it the third largest UK hotel chain and gave it a more upmarket brand.



Jack Jarvis, chief executive of Whitbread, lost out on opportunistic deal

■ WINNERS IN THE CITY – By David Wighton

Biggest round of fees since Guinness bought Distillers

In terms of City fees and expenses, the bid will be the most expensive since the Guinness takeover of Distillers in 1986.

Ignoring any fees Granada will incur when it breaks up Forte, the total expenses for both sides will come to about £140m before VAT.

Granada stated in its final offer document that its costs would be £105m, while Forte's bill is estimated at about £35m.

The largest group of beneficiaries is not the serried ranks of advisers but the institutional investors which sub-underwrote the £1.8bn of new shares which Granada is issuing.

A group of more than 200 UK and international institutions, many of them shareholders in both Granada and Forte, received a total of about £35m for their trouble.

A further £25m was shared between Lazard Brothers (£2.5m), which underwrote nearly 15 per cent of the issue, and ABN Amro Hoare Govett (£11m) and BZW (£11m) which underwrote the remainder and acted as brokers.

Total funding costs, including £10m of bankers' fees on the £2.6bn of debt, amounted to £70m or about 1.6 per cent of the funds raised. Granada also has to pay £19m of stamp duty on the Forte shares.

Of the £105m total, Granada's advisory fees amounted to only £13m, while Forte is thought to have spent more than twice that.

Granada's advisers were headed by Mr John Nelson and Mr John Dear, of Lazard Brothers, its merchant bank, together with teams from Hoare Govett and BZW, led by Mr Nigel Mills and Mr Simon de Zoete.

There were also two sets of lawyers – Lovell White Durrant and Slaughter May – with KPMG acting as accountants and Touche Ross's consulting arm providing hotels expertise. Citigate, a long-standing Granada adviser, handled the public relations. Granada's campaign was praised both by the Forte camp and by independent investment bankers.

One rival corporate financier said: "It was a calm, calculated, well organised and well staged bid. It was a class act."

Observers were particularly impressed with the way Granada fought back after Forte's powerful defence document, incorporating its proposed share buy-back. "Granada's final offer was very well structured and very well judged," said one independent merchant banker.

Granada's brokers are also judged to have performed well, both in terms of selling the deal to both sets of shareholders and also in last week's stock market raid.

In retrospect, the timing of the raid was perfect and is thought to have prevented Whitbread from buying shares in the market to bolster Forte's chances.

As for Forte's advisers, there was "a potential for disaster", according to one City observer. "Given the large number of advisers and the egos involved, it was a recipe for a shambles."

Forte had three sets of financial advisers in SBC Warburg, Morgan Stanley and UBS, with Cazenove brought in to help on the broking side. Sir Rocco Forte also called in his old friend Mr Roberto Mendoza, vice chairman of J P Morgan in New York.

Mr Mendoza's role in co-ordinating the teams allowed Forte to put up a better defence than any observer had expected.

The outcome is a blow for all Forte's advisers, none more so than Mr Alan Parker, who headed the public relations campaign at Brunswick. He claims it is his first significant defeat in 10 years.

Barclays sets up exchange

By John Gapper

Institutional investors that place funds with a new investment management arm of Barclays will be able to swap global equity portfolios among themselves without having to deal through stock exchanges.

The bank said yesterday that BZW Barclays Global Investors, its fund management firm formed following the £280m purchase of the San Francisco-based Wells Fargo Nikko Investment Advisors in June, would give it greater capacity to act as a private exchange.

Mr Fred Grauer, BBGI chairman, said the firm's ability to "cross" large and complex trades of shares among customers without charging a fee would be enhanced by combining the US and European fund management operations.

Mr Donald Luskin, vice-chairman, said Wells Fargo Nikko had crossed trades among its customers before the purchase, making it the 10th largest stock exchange in the world, and this activity was likely to intensify.

BBGI is now the world's largest passive fund manager, using technology to invest customers' money in shares that mirror national stock indices.

Such index management has become increasingly popular with investors because it is cheaper than active fund management, which involves analysis and research. About 15 per cent of US institutional funds are passively managed.

The price at which BBGI customers swap portfolios is set by the closing index levels in relevant markets.

Mr Grauer said that BBGI had no ambitions to rival public stock exchanges, and that the service was exclusively for customers.

Farnell's offer for Premier evokes surprise

Christopher Price outlines the group's bold move to buy a US distributor that is bigger than itself

Farnell's £1.85bn bid for Premier Consolidated was producing some exotic superlatives in the City of London yesterday.

The magnitude of the offer for the largest catalogue electronic component distributor in the US was described as "incredible", "high-risk" and "fantastically brave".

Mr Howard Poulson, chief executive of Farnell, said the deal was "a once in a lifetime opportunity. With one move, we have transformed ourselves into a truly global company".

However, the nature of the deal – a company capitalised at under £1bn taking on a group one and a third times larger – revived memories of earlier forays by UK groups into the US which went wrong, sometimes disastrously so. These include Imperial Group's takeover of the Howard Johnson hotel and restaurant chain in 1980, Blue Arrow's purchase of Manpower in 1989, and Midland Bank's 1980 acquisition of Crocker National Bank.

Mr Poulson admits the company is paying a premium price for Premier, but denies that the group will be overstretched. "These are very cash-generative businesses and we have a history of paying back our debts early."

Farnell is paying 24 times Premier's prospective 1996 earnings. In comparison, Electrocomponents, Farnell's main competitor in Europe, is trading on a prospective p/e multiple of around 21 times current year earnings. The offer price of $94 a share is also a 39 per cent premium to Premier's suspension price.

The combined group will have annual sales in excess of £1bn and operating profit of £175m. It will also have debts of £450m and negative shareholders' funds of £132m. Farnell will pursue three avenues to repair the balance sheet.

One is cash flow. Mr Andrew Fisher, finance director, says Premier's pre-tax free cash flow was $172m (£112m) in 1995, a high level in comparison with Farnell and a reflection of the US group's high margin catalogue business.

The group will also look for significant synergies and cost savings. Bulk purchasing, improved productivity, and amalgamation of the two groups' catalogues are likely to be on the agenda.

"We are not going in there to impose our culture. Premier is an excellent well-run business," says Mr Poulson. "But we will be able to bring our expertise in improving margins to bear."

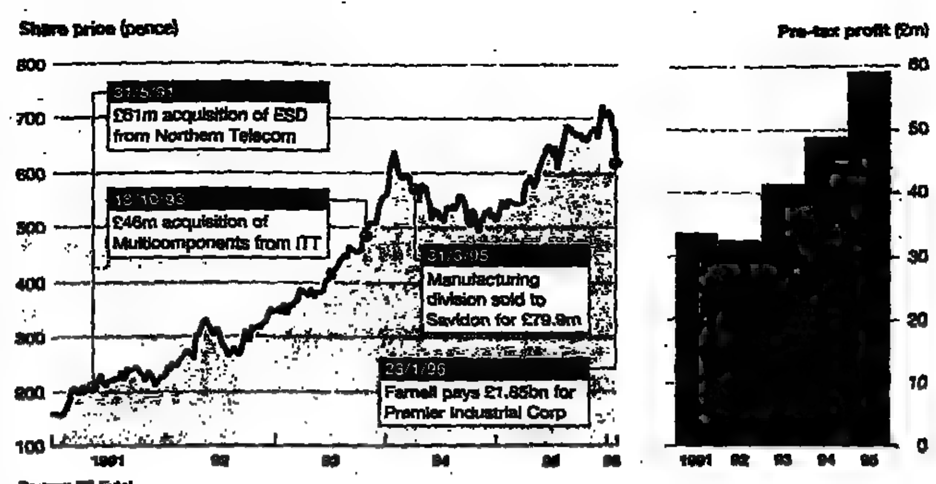
The sale of some of Premier's peripheral businesses, which Mr Poulson said could realise as much as £100m, will also be looked at.

However, analysts said pressure on the balance sheet could force the group to consider selling its volume distribution business which serves large users. Some analysts voiced doubts over the scale of synergies and cost savings being suggested by the Farnell management.

There was also no consensus over the likely dilution to earnings and the growth potential for the US market, which some analysts believe is limited.

The doubts are likely to be enough to keep Farnell's shares subdued in the near future.

Farnell Electronics



Source: FT Extel

Unilever sweeps up Diversey

By Roderick Oram in London and Bernard Simon in Toronto

Unilever has become the world's second largest producer of industrial cleaning products with its C$780m ($569m) purchase of Diversey from The Molson Companies of Canada.

Diversey's performance has been dented in recent years by losses in the US, where Molson has struggled to mesh the acquisition four years ago of DuBois, a US chemicals group. The US division's operating loss widened from C$8.4m to C$33.6m in the six months to September 30.

Unilever said Diversey would complement its Lever Industrial International subsidiary. Together, they will have a global market share of about 14 per cent, against Henkel of Germany's 16 per cent, estimates Mr David Lang, an analyst with Henderson Crosthwaite.

Diversey, which had operating profits of £34m on sales of £507m in the year to last March, is strong in the food and beverage industries in North America, Europe and Japan and emerging markets.

The acquisition is Unilever's largest purchase of a non-consumer company for more than 15 years and its largest takeover for about six years. It will lift Lever Industrial's European sales by about £250m to £600m and double them in the US to about £300m.

Molson expects to raise a total of about C$1.1bn from the sale as well as the likely disposal soon of its other chemical businesses. About a third of the proceeds will be used to reduce debt. It plans to use the rest to expand its core brewing interests with an acquisition outside North America.

SeaPerfect forced into refinancing

By Peggy Hollinger

SeaPerfect, the clam and scallop farmer, has hit choppy waters just over a year after flotation, with the announcement yesterday that its shares would be suspended at 71p pending a refinancing.

The company, which operates a scallop farm in Chile and clam beds in the US, said it was facing a working capital shortage following failure to negotiate adequate facilities with Chilean banks.

Mr Tim Worledge of Williams de Broë, SeaPerfect's sponsor at flotation and its broker, said the circumstances surrounding the company's current needs and profitability remained unclear.

The company was in meetings with its advisers yesterday and was hoping to have a clearer indication of how it could raise the funds by the end of this week.

It is continuing to pursue negotiations with the Chilean banks, but is also understood to be examining the possibility of an equity issue or some other capital raising exercise.

SeaPerfect raised some £27m ($41.6m) in November 1994 through a placing and offer.

INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £3,000,000,000

8% TREASURY STOCK 2000

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER

FOR AUCTION ON A BID PRICE BASIS ON 31 JANUARY 1996

PAYABLE IN FULL WITH APPLICATION	With a competitive bid	Price bid plus accrued interest
	With a non-competitive bid	£108 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 1 February 1996.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND *invite* bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2000.

4. Stock issued under this prospectus will rank in all respects *pari passu*, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 December 1995, the last interest payment date of the Stock, until settlement on 1 February 1996 at the rate of £1.22740 per £100 nominal of Stock.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 June 1996.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which have been introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. The starting date for an official strips facility will be announced in due course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification. Information about other proposed changes in the tax regime for gilt-edged securities is contained in the document referred to in paragraph 26 below.

Method of Application

15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 31 January 1996.

16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 31 JANUARY 1996**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 AM ON WEDNESDAY, 31 JANUARY 1996**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 30 JANUARY 1996**. Bids will not be revocable between 10.00 am on Wednesday, 31 January 1996 and 10.00 am on Monday, 5 February 1996.

17. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**

(ii) Unless the applicant is a member of the CGO Service, **PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.22740 PER £100 NOMINAL OF STOCK** must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2000", to arrive not later than 1.30 pm on Thursday, 1 February 1996.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST)**; competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

18. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £108 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of £1.22740 per £100 nominal of Stock. The non-competitive sale price will be **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price, plus accrued interest, is less than £108 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price, plus accrued interest, is greater than £108 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £108 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.

19. The Bank of England may sell less than the full amount of the Stock on offer at the auction. Cancellation of a sale of Stock will not affect the non-competitive sale price or any other sale of Stock.

20. The Stock will be, and all previous issues of the Stock have been, initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of the Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

21. The Stock will be issued in registered form and allotment letters will not be issued. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form.

22. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or receipt of his CHAPS payment, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

23. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

24. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 1 February 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 1 February 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

25. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

26. Attention is drawn to the press release issued by the Inland Revenue on 28 November 1995, providing details of reform of the taxation of gilts and bonds announced by the Chancellor of the Exchequer on 10 July 1995, to the Finance Bill published by HMSO on 4 January 1996, and to the Government Statement referred to in the final paragraph of this prospectus.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

23 January 1996

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 23 January 1996 as follows:-

FOR COMPETITIVE BIDS ONLY (ie for Stock to be purchased at the price bid, plus accrued interest)

Nominal amount of 8% Treasury Stock 2000 applied for:

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

£

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: £ p 32nds

Plus accrued interest at the rate of £1.22740 per £100 nominal of Stock: £ 1 p 22.740

Total amount payable per £100 nominal of Stock: £ p

Amount required for payment (£) IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST: £

FOR NON-COMPETITIVE BIDS ONLY (ie for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)

Nominal amount of 8% Treasury Stock 2000 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (£), being £108 (£) for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER

Name of contact .... Tel No. ....

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

[illegible]

SIGNATURE(S) or, on behalf of, applicant

Date

REGISTRATION DETAILS

CAPITAL LETTERS PLEASE

Title	Forename(s) in full	Surname
Address		
		Postcode
Title	Forename(s) in full	Surname
Address		
		Postcode

For Bank of England use

Box No. 728	Ref.	Transaction Number 162/
Batch Number	New Account No.	Cert. Posted Date

Daytime Telephone Number (in case there is a query)

NOTE: The Stock will be registered on the Bank of England Register unless you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (NSSR) [illegible] or the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR ☐ BELFAST ☐

(a) [illegible]

(b) [illegible]

(c) [illegible]

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 31 JANUARY 1996; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 31 JANUARY 1996; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 30 JANUARY 1996.

COMPANY NEWS: UK

Berkeley makes £73m cash call

By Andrew Taylor, Construction Correspondent

Berkeley Group, regarded as a bellwether of the UK housing market and one of its most profitable companies, yesterday launched a £73.1m ($112.6m) rights issue to buy land and finance "possible" acquisitions.

Last month Westbury, a rival housebuilder, announced a £32.2m rights issue to help fund its £60.7m purchase of BICC's housebuilding subsidiary Clarke Homes.

Berkeley said yesterday that decisions by a number of broadly-based construction and engineering groups to withdraw from housebuilding had created opportunities for specialist housebuilders as the UK housing market appeared to be on the point of reviving.

Mr Tony Pidgley, group chief executive, said net reservations – agreed sales on which a deposit had been paid – had risen by about 30 per cent in the past four months compared with the same period a year earlier.

"There definitely has been more life in the market since the autumn," said Mr Pidgley who did not rule out a "modest acquisition" but said land purchases were more likely.

The company is regarded as having a good record in judging the housing market cycle. It sold much of its land before prices really began to plummet in the recession. It also was an early buyer of land in 1992 before house sales revived briefly in 1994.

It is offering shareholders two new shares at 435p each for every nine already held. Following the announcement, Berkeley's shares slipped 5p to 504p.

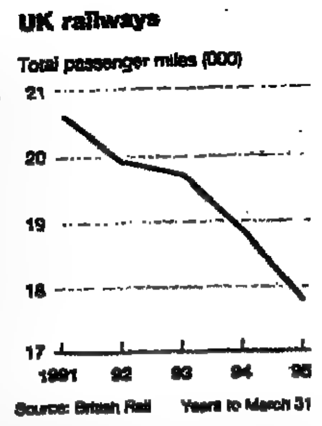
The company, which specialises in up-market executive homes, has recently announced plans for a series of speciality town centre housing developments.

Some of the money raised from the issue, which has been underwritten by SBC Warburg, is expected to be used to fund similar town centre schemes.

Saad Investments which has an 11.35 per cent stake in the group, and Berkeley directors have agreed to subscribe for 11.8 per cent of the new shares.

LEX COMMENT

Railtrack



A lively battle has to be fought before Railtrack can be privatised. Predictably, the company wants the government to write off most of its debts. Equally predictably, the UK treasury is against it. Who is right? At 2.4 times, Railtrack's interest cover certainly looks tight, even for a utility. But the cash flow statement shows a more generous figure: 5.4 times. Arguably, some provisions should be stripped out, bringing cash flow interest cover down to 3.3 times. But even this figure is still pretty healthy. And the provisions may well, of course, turn out to be over-generous.

For investors, a taut balance sheet would not be all bad news. It would offer some protection from rash diversifications. And it would give less opportunity for a Labour government to take cash out through a windfall tax. The danger is that ministers will opt for a limp compromise. They are certainly likely to be tempted by Railtrack's hints of an investment renaissance if debts do not get in the way.

These enticements should be taken with a hefty pinch of salt. The glamorous projects are unlikely to be viable without big dollops of subsidy. Moreover, history suggests the company will be much more able to finance investment than its current performance indicates – by cutting both capital and operating costs. The electricity sector has shown the scale of the mistakes that can be made. Ministers have only themselves to blame if they make them again.

£60m charge at Zeneca

By Daniel Green

Zeneca, the UK's third biggest pharmaceuticals company, is to take a one-off exceptional charge of about £60m to pay for restructuring of UK manufacturing and distribution.

The company would not specify where job cuts would fall, only that they would be concentrated among the 2,600 UK staff that do not work in R&D. Zeneca's main sites in the UK are in Macclesfield and Alderley Park, both to the south of Manchester.

The company described fourth quarter pharmaceuticals sales as strong and said total 1995 sales growth was ahead of the third quarter trend.

Price cuts in Europe, especially the UK and Italy, were offset by rises in the US where its Casodex anti-cancer drug had performed well.

"Profits [in pharmaceuticals] for the year are expected to show a growth rate slightly higher than that reported at the half year," Zeneca said.

Pharmaceutical sales for the first six months were £1.03bn, 5.5 per cent up on the same period in 1994.

The group's agrochemicals and seeds division saw sales growth significantly above 1994, boosted by a widespread rise in volumes. "An extended season in the northern hemisphere and strong sales in South America contributed to a good second half performance," Zeneca said.

Speciality chemicals had a mixed performance with textiles colours continuing to experience tough trading conditions and the effects businesses reporting good performances.

"Due to continued downward pressure on sales prices and increases in raw material costs, specialities' profits are expected to be similar to those in 1994," the company said.

Tate chief has two contracts

By William Lewis and Clay Harris

Sir Neil Shaw, executive chairman of Tate & Lyle, has two employment contracts and receives payments from two pension schemes, company documents show.

Sir Neil, who is up for re-election to the board at tomorrow's annual meeting, has one contract with the sugars and sweeteners group and another with Redpath Industries, a Canadian subsidiary.

He is also in receipt of pension payments from Redpath's executive pension scheme and from a pension scheme established in Jersey by the subsidiary. Contributions are made to the Jersey scheme to fund a deficit identified when his pension payments began in 1992.

The annual report does not state that he has two contracts. However, documents available for inspection ahead of the AGM provide details. His Tate contract says "in the event of potential conflict of interest or priority" between the services he provides under the contracts the UK one takes "precedence".

Therexsys new financing

By Clive Cookson, Science Editor

Therexsys, the only UK company specialising in gene therapy, is about to start a second round of financing, with a view to floating on the London Stock Exchange next year.

Dr Martin Preuveneers, the chief executive recruited from Glaxo Wellcome, aims to raise between £8m and £10m this spring through a private placement. Nine venture capital funds contributed £6.4m to the first round in 1993.

Clinical trials for Therexsys' first product, a treatment for inoperable tumours, should have started by next year. Two others, for HIV/Aids and Gaucher's disease – an inherited metabolic disorder – are expected to follow in 1997.

Gene therapy, the medical use of the genetic chemical DNA, has recently received adverse publicity in the US, where about 50 biotechnology companies specialise in the field. Last month an expert panel told the US government's National Institutes of Health: "Expectations of current gene therapy have been oversold."

Therexsys also announced a strengthening of its management team, including the appointment of Dr Philip Barr, former director of molecular biology at Chiron in California, as head of research.

It envisages first product launches in 2001-02.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Central Motor	Yr to Oct 31	11.7	(11.3)	0.116	(0.085♦)	0.56	(0.03)	nil	-	2.25	0.5	2.75
[illegible] & Fowler	6 mths to Oct 31	17.9	(17.8)	0.694	(0.627)	2.2	(1.98)	0.75	Apr 10	0.7	-	1.6
Daejan	6 mths to Sept 30	11.2□	(9.94□)	10.4	(11.1)	42.9	(46)	16	Mar 14	12	-	32
Domino Printing	Yr to Oct 31	105.6	(89.9)	5.16	(13.03)	10.62	(32.9)	6.4	Apr 10	6.4	10.1	9.6
Everards Brewery	Yr to Sept 30	37.8	(35.6)	3.22	(2.55)	97.5	(86.1)	7.4	-	7.1	14.8	14.2
Masthead Insurance	Yr to Dec 31	-	(-)	2.16	(2.15)	3.4	(3.37)	1.6	Feb 27	1.5	3.2	3.2
Shandwick	Yr to Oct 31	167.6	(170.5)	2.53♦	(7.33)	1.7	(4.5)	0.87	Apr 18	0.87	1.3	1.3
Sharl	Yr to Oct 31 ★	27.6	(30.4)	2.9	(3.51)	13.5	(16.4)	4.5	Apr 8	4.2	6.65	7.2
Surrey §	6 mths to Sept 30	26.9	(23.6)	0.298L	(0.045)	0.07L	(0.02)	-	-	-	-	nil
Trocadero Φ	Yr to Dec 31 ✠	8.95	(2.41)	1.83♦	(0.593)	0.58	(0.24)	-	-	-	-	-
Watson & Philip	Yr to Oct 29	497.8	(440.6)	18.5	(10.6♦)	33.1	(18.1)	11.5	Feb 24	10.6	16.5	15.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Derby	Yr to Dec 31	519	(443)	2.28	(2.09)	19.328	(17.713)	10.7232	Feb 28	10.611	19.328	17.713
First Philippine	Yr to Oct 31	97.6	(119.3)	0.113L	(0.37L)	0.23L	(0.74L)	nil	-	nil	nil	nil
Fleming Claverhouse	Yr to Dec 31	-		-		-		2.18	Mar 1	1.92	8.1	5.67
Scottish National	3 mths to Dec 31	81.2	(76.7♦)	3.07	(2.85)	1.9	(1.83)	1.7	Apr 8	1.55	-	7.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦After exceptional charge. □Net rental income. ★Comparatives for 15 months. ΦAim stock. §USM stock. ✠Comparatives for 3 months. ♦At September 30.

COMMODITIES AND AGRICULTURE

US set to become net exporter of beef

By Afshin Molavi in Washington

US beef exports are expected to exceed imports for the first time in 1996 as the US Department of Agriculture gears up for a major international US beef marketing campaign.

Estimates for 1995 show that exports and imports were almost equal and industry analysts and cattlemen's groups are predicting a significant export push in 1996 that will, according to the National Cattlemen's Association (NSA), "start a historical trend that will lead the U.S to being a net exporter on both a volume and value basis".

Total 1995 US export sales of beef, veal, and variety meats to foreign markets soared to a record high 890,000 tonnes worth $3.1bn.

Currently, Japan, Canada, Mexico and South Korea purchase the lion's share of US beef products, accounting for 90 per cent of all sales. The USDA is looking to China, South America and the Russian Federation as "the next big markets for US beef" and has recently agreed a plan to provide Mexico with US beef import assistance.

The beef industry has set an ambitious 1996 export goal of 1m tonnes, up 18 per cent on 1995, according to NCA.

US beef exports account for about 10 per cent of the wholesale value of total US production, the United States Meat Export Federation says. If cattle hides and edible tallow are included, the figure is closer to 15 per cent, it adds.

Despite aggressive marketing campaigns, the US has yet to pry open European Union markets because to the EU hormone ban. Washington will lodge a complaint to the World Trade Organisation against the ban, which restricts US beef from European markets despite recent scientific conclusions that US hormone-treated beef poses no health risks.

Mr Franz Fischler, EU commissioner for agriculture, indicated on Monday that the EU would not lift the ban on US beef, setting the scene for the first major agricultural test of the WTO.

The US Department of Agriculture estimates $100m in lost sales because of the EU ban, while US beef exporting groups envisage a $200m-300m-a-year market in Europe.

Mr Bob Drake, president of NCA, calls the European ban "nonsense", noting that many of his 230,000 members resent the ban, hardening their feelings toward the WTO. "Many of us agreed to endorse the Gatt because the government promised us an end to unfair trading practices like the European ban," Mr Drake said.

Cattle and calves generate more cash receipts than any other sector of the US agricultural economy, with nearly a quarter of all farm income derived from sales of cattle and calves. Beef production exceeds all other forms of US meat production by nearly a 4-1 margin in terms of value, according to USDA figures.

Total economic activity associated with the beef industry accounts for about 4 per cent of the US GDP, according to the Cattle and Beef Industry Handbook.

"World-wide export competition is stiffening," an agriculture department official said, "and our producers are beginning to realise the importance of tapping foreign markets."

Australia forecast to stretch its lead in wool production

By Nikki Tait in Sydney

Australia's wool production is expected to increase by more than 21 per cent during the next five years, contributing to a forecast 11 per cent rise in global production, according to the International Wool Secretariat.

But the IWS also warns that real wool prices will continue their long-term downward trend, although some year-to-year fluctuations will probably occur as customers build up and then run down stocks.

Any growth in Australian production would help to reverse the trend of the past five years. Since 1989-90, Australian wool production has fallen by nearly 40 per cent, or about 290m kg. This decline has been blamed on the collapse in wool prices, the recent drought on the eastern seaboard and the better returns available from other agricultural produce.

If Australian woolgrowers met the IWS predictions, the country would lift its share of world raw wool production to 33 per cent by the end of the decade, from around 31 per cent at present. Its output would continue to be more than double that of the next largest producer, New Zealand.

In the current 1995-96 year, the IWS sees Australia wool production slipping slightly, to 437m kg. clean, from 470m kg in 1994-95. But, thereafter, production should stabilise and then rise to 530m kg level by the year 2000.

The IWS also said that it was anticipating that the large Australian wool stockpile, which was built up under a previous guaranteed pricing scheme and is currently being sold off through a regular schedule of sales, should be exhausted by 1999. Because of the diminishing impact of the stockpile sales, total wool supply from Australia would increase by only 2 per cent between 1994-95 and 2000-01.

Mexican coffee growers gloomy about crop damage

Coffee growers and exporters in Chiapas, Mexico's top producing state, estimate that the 1995-96 crop will be down by between 30 and 32.5 per cent because of adverse weather, reports Reuters from Tapachula.

That would mean a drop of between 600,000 to 650,000 bags (60kg each) from the 2m produced in the 1994-1995 season.

If other states held output at similar levels to last season's the national crop would drop to between 3.51m and 3.56m bags, 14.4 to 15.6 per cent below the 1994-95 level, Reuters survey revealed. But frost damage to the current season's crop in Veracruz and Puebla, the second and third biggest producing states, are expected to result in a bigger cut in national output.

Concern about the Mexican crop helped coffee futures to gain ground in London and New York yesterday.

The March robustas position on the London Commodity Exchange closed at $1,860 a tonne, up $47 on the day, while on the New York Cocoa, Sugar and Coffee Exchange the May arabica's position was up 0.7 cents at $1.07½ a pound in late trading.

Reasons given for the estimated decrease were recent heavy rains, a prolonged dry spell during flowering periods, lack of crop attention because of deflated prices, lower fertiliser use because of Mexico's economic crisis and plantation invasions, growers said.

"We have had reports of declines of 60 per cent, but for the state as a whole between 40 and 45 per cent would be a fair average," said Mr Carlos Bracamontes Gris, secretary-general of the National Association of Coffee Growers. "There has been no investment in plantations, no credits available, even the climate has been against us, with reports of up to 7m of rain during the cycle."

● A proposal to restrict coffee exports after June 1996 in a continuing effort to prop up prices had the backing of producers and would most probably be implemented, an Ecuadorean official said yesterday.

He was speaking during a break in a meeting of the Association of Coffee Producing Countries in London.

"Ecuador has proposed that the ACPC maintain coffee export retention past June 1996," Mr Jose Modesto Apolo, vice-minister of foreign trade and integration said.

Dutch zinc smelter's future secured

By Nikki Tait

Pasminco, the Australian zinc producer, said yesterday that it had secured the future of its Budel zinc smelter in the Netherlands, after the Dutch authorities agreed to allow it to produce and store jarosite there until July 1998. After that date, Budel will switch to processing "clean" concentrates at the Budel smelter, supplied by the new Century mine, which CRA is developing in Queensland.

Jarosite is a hazardous waste material produced in the zinc refining process, and environmental concerns over its storage at one stage threatened to close the smelter.

However, after long negotiations between the company and the Dutch authorities and in the wake of last December's decision by CRA to proceed with the Century mine, it was agreed that, with a switch to the low-iron Century concentrates in 1998, the smelter could continue operating.

Single voice proposed for British fishing industry

By Alison Maitland

The UK government said yesterday that the country's fishing industry was hampered by poor internal communication and "a failure to understand others' needs and problems".

Mr Tony Baldry, fisheries minister, backed proposals for a single body to represent the industry in an effort to boost quality and sales of fish and to overcome supply problems caused by quotas.

But the government expressed doubt about whether a new body could overcome divisions within the industry.

"Its effectiveness would depend on industry organisations' willingness to allow members to speak on their behalf. At present the diversity of views in the industry is such that this would seem unlikely."

The industry is highly fragmented, with many bodies representing different regions and interests.

The proposals for a single industry voice have been drawn up by the Sea Fish Industry Authority, a statutory body, and are expected to be approved by its board today (Wed).

Professor Michael Haines, the chairman, was optimistic that industry representatives from fishermen to processors, retailers and consumer bodies would participate.

"From the soundings we have made, the industry does want it," he said.

One of the new fish forum's tasks would be to try to introduce greater flexibility into the system of catch quotas. Fishermen who had exhausted their quotas before the end of one year should be able to "borrow" quota from the next year to ensure consistent supplies of fish.

The government responded that it could not allow this under current EU rules, which require quotas to be managed by species on an annual basis. "But these issues are under discussion within the EU and we will look closely at any proposals for flexibility between years," it said.

Professor Haines said other aims were to improve the handling of fish on boats and at ports so that they arrived undamaged at market, and to promote the benefits of fish to younger consumers.

Mr Baldry welcomed these plans.

"Modern marketing techniques are commonplace in some other member states," he said. "Unless the industry pays greater attention to marketing, it risks being left behind by its competitors, both within the EU and outside."

MARKET REPORT

Copper leads base metals rally

Base metals generally ended higher at London Metal Exchange yesterday, following the trend in the COPPER market. But traders believed the gains were due to markets correcting from an oversold condition.

They said the move in copper helped to dent recent downside sentiment but they expected the market eventually to test support around recent 17-month lows of $2,440 against the backdrop of deteriorating fundamentals.

LME stocks registered another rise yesterday and currently stand at 346,575 tonnes. A lack of physical demand is also helping to undermine upside sentiment.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+13,675	to 847,025
Aluminium alloy	+1,240	to 65,040
Copper	+4,125	to 346,575
Lead	-3,850	to 118,525
Nickel	+246	to 41,544
Zinc	unchgd	at 608,600
Tin	-150	to 11,360

At the London Bullion Market, meanwhile, GOLD continued its bull run to close at $403.3 a troy ounce, up another $1.20, after fixing at $403.65, the highest level since August 3, 1995.

"I think they'll keep going until such time as somebody decides to sell it," said one analyst of the current run.

Some analysts and dealers were forecasting a correction as gold tended increasingly towards the overbought, although that was not a major concern for the overall trend.

"The big worry for this market is that at some point this rise is really going to stall. I don't mean a day's stalling or two day's consolidation, but sometime it is going to reach a point where it won't advance any further," an analyst said.

"I suspect once that is reached, you'll see quite a bit of disinvestment selling from the Middle East," he continued.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1547-48	1575-76
Previous	1528-30	1559-59.5
High/low	1534	1578/1557
AM Official	1533-34	1561.5-62.5
Kerb close		1573-4
Open int.	215,587	
Total daily turnover	40,092	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1365-66	1395-98
Previous	1355-65	1395-400
High/low		1395/1390
AM Official	1345-55	1380-90
Kerb close		1394-5
Open int.	4,752	
Total daily turnover	1,531	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	722.5-23.0	717-18
Previous	710.5-11.5	708-8.5
High/low		725/707
AM Official	723-25	717-18
Kerb close		725-26
Open int.	61,665	
Total daily turnover	8,109	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8225-35	8325-30
Previous	8130-40	8220-30
High/low		8330/8230
AM Official	8180-90	8280-90
Kerb close		8270-80
Open int.	40,833	
Total daily turnover	12,369	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6265-75	6300-10
Previous	6245-55	6285-90
High/low	6280/6275	6335/6290
AM Official	6270-75	6305-10
Kerb close		6335-40
Open int.	14,848	
Total daily turnover	2,959	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1023.5-24.5	1045-46
Previous	1015.5-16.5	1037-38
High/low	1023.5	1053/1038
AM Official	1023.5-24	1045-45.5
Kerb close		1053-4
Open int.	76,094	
Total daily turnover	11,555	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2574-79	2511-12
Previous	2519-24	2457-58
High/low	2550/2545	2518/2485
AM Official	2543-47	2490-91
Kerb close		2413-15
Open int.	168,272	
Total daily turnover	83,498	

■ LME AM Official £/$ rate: 1.5146
LME Closing £/$ rate: 1.5150

Spot: 1.5136 3 mths: 1.5107 6 mths: 1.5062 9 mths: 1.5052

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	118.80	+2.80	119.00	117.00	322	1,805
Feb	117.45	+2.70	117.50	116.50	208	1,435
Mar	115.25	+2.50	115.90	112.60	4,861	27,602
Apr	113.85	+2.30	113.70	113.25	123	894
May	112.75	+2.30	113.20	110.20	476	5,779
Jun	111.95	+2.20	110.70	110.70	2	727
Total					6,222	46,202

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	403.10-403.50		
Opening	403.50-403.80		
Morning fix	402.65	266.004	476.939
Afternoon fix	403.65	266.277	479.536
Day's High	404.80-405.20		
Day's Low	402.40-402.80		
Previous close	401.80-402.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.97	6 months	2.70
2 months	2.99	12 months	2.52
3 months	2.94		

Silver Fix	p/troy oz.	US cts equiv.
Spot	369.20	559.00
3 months	374.40	565.70
6 months	378.15	571.85
1 year	389.10	584.15

Gold Coins	$ price	£ equiv.
Krugerrand	402-406	265-268
Maple Leaf	414.65-417.25	
New Sovereign	94-97	62-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	403.5	+0.1				
Feb	403.6	+0.1	405.2	402.5	32,118	98,245
Apr	[illegible]					
Jun	[illegible]					
Aug	[illegible]					
Oct	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	120.80	+0.05	120.30	120.50	12	14
Mar	121.40	+0.35	121.25	120.95	113	2,410
[illegible]						

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

■ GSCI Spot (Base: 1970=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	64.100	-0.475	64.450	63.985	1,926	28,730
Apr	64.750	-0.200	64.975	64.650	4,642	20,258
[illegible]						

■ LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	53.850	+0.400	53.850	52.850	1,678	3,734
Mar	53.675	+0.125	54.000	53.050	714	1,959
May	54.550	+0.200	54.850	54.025	172	1,084
Jul	55.125	-	55.300	54.800	112	806
Aug	52.800	-0.225	53.350	52.850	30	210
Total					2,685	7,278

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1500	39	88	6	21
1600	8	38	55	66
1700	3	12	147	136
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2400	-	140	-	36
2500	62	90	17	76
2600	27	46	68	133
■ COFFEE LCE	Mar	May	Mar	May
1500	369	251	-	38
1550	314	216	1	53
1600	266	183	3	70
■ COCOA LCE	Mar	May	Mar	May
850	70	96	1	6
875	48	75	4	10
900	29	57	10	17
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	-	-	26	-
1700	25	-	-	-
1750	13	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.15-6.21w	+0.080
Brent Blend (dated)	$17.47-7.49	+0.010
Brent Blend (Mar)	$16.88-6.90	+0.015
W.T.I.	$18.02-8.04w	-0.010

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$168-169	
Gas Oil	$159-160‡	
Heavy Fuel Oil	$96-98	-3
Naphtha	$169-171	-1.5
Jet fuel	$181-182‡	-1
Diesel	$164-166‡	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$403.30	+1.10
Silver (per troy oz)♣	558.5c	+5.0
Platinum (per troy oz.)	$423.00	+0.80
Palladium (per troy oz.)	$130.50	-0.50
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.78m	-0.14
Tin (New York)	298.5c	+3.0
Cattle (live weight)†	120.99p	+2.24*
Sheep (live weight)†♠	123.69p	+3.74*
Pigs (live weight)†	106.25p	+1.44*
Lon. day sugar (raw)	$314.8	[illegible]
Lon. day sugar (wte)	$380.5	+6.5
Barley (Eng. feed)	120.0u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	104.25p	-0.25
Rubber (Mar)♥	104.25p	-0.25
Rubber (KL RSS No1)	387.50m	-6.50
Coconut Oil (Phil)§	$730.0y	+10.0
Palm Oil (Malay.)§	$515.0y	
Copra (Phil)§	461.0	
Soyabeans (US)	211.0	-3.0
Cotton Outlook'A' Index	85.80	
Wooltops (64s Super)	482p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb. ♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day. ‡ Yesterday's figures were wrongly supplied by Petroleum Argus. Figures should have been as follows: Gas Oil $159-160, Jet $182-183, Diesel $164-165. Apologies for any inconvenience caused.

CROSSWORD

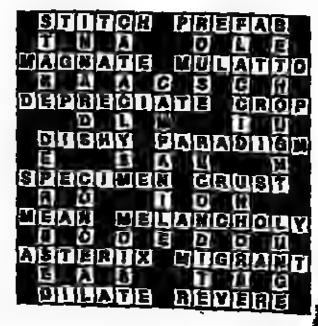
No.8,975 Set by GRIFFIN

Down clues are normal. Across clues have no definitions but have a common theme

ACROSS
1 Subdues cheek (7)
5 Without charge article is returned (7)
9 Not a gentle embrace (5)
10 Pursue to live broadcast (8,6)
11 Black said "I write about it" (9)
12 Tears off (5)
13 Beds rejected by King (5)
15 Very successful staff (9)
18 Vegetable put into desserts! (5,4)
19 Man with a couple of names retired (5)
21 Some regular churchgoers (5)
23 Pears could be a lot of money (9)
25 Clean, cook and eat (9)
26 Caught one boy outside (5)
27 Utter chaos in a corner of England (3-4)
28 Enclose in salt water (7)

DOWN
1 Before getting to back street hide stamps (7)
2 Present West shouted warning about. Why? (9)
3 Which amplifies light in Guatemala service stations (5)
4 Eager to go into exercises with appropriate teacher (9)
5 Scrap box (5)
6 Ms Doolittle starts beating the new girl (9)
7 Halve gratuities with student in lift (5)
8 A bra-less brat, drooping when dressed (7)
14 Room not in charge of Eric, a former war minister (9)
16 People having radio set tuned into ships (9)
17 Finish it in wrought iron for presentation (9)
18 Colin is upset by chips made of it (7)
20 Six-footer erected girl's aerial (7)
22 About first light it ignited again (2-3)
23 Contemptible person takes second drink (5)
24 Pipe up (5)

Solution 8,974



INTERNATIONAL CAPITAL MARKETS

Sentiment in Europe hit by political worries

By Martin Brice in London and Lisa Bransten in New York

The rally in European government bond markets faltered yesterday, with political worries and concern over budget deficits undermining sentiment. In the US, traders watched political developments in Washington.

■ German government bonds opened lower after the sell-off in Treasuries overnight, but recovered early losses after the future hit a trend-line support level at 100.60, followed by some short-covering that helped lift the market.

Mr Karl Haeling, head of futures and options at Deutsche Morgan Grenfell in Frankfurt, said: "Overall sentiment in the long-term is bullish." Traders believe there may be a 7 to 10 basis point cut in the repo rate today.

On Liffe the March 10-year bund future closed at 100.88, up 0.02. The yield spread of 10-year bunds over Treasuries moved from 18 basis points to 12 points.

■ UK government bonds opened lower after a weak overnight performance from US Treasuries, and finished the day slightly down after a recovery in bunds helped lift them off their low points. There was little reaction to economic data or to the announcement of the next auction stock.

On Liffe, the March long gilt future closed at 111⅝, down $\frac{5}{32}$. The 10-year yield spread over Germany moved from 162 basis points to 163 points.

The CBI trends survey showed few signs of improvement in business conditions and Mr Simon Briscoe, economist at Nikko, said: "This survey is weaker than expected, supporting the last rate cut."

The Treasury said the stock in the next auction on January 31 would be £3bn of 8 per cent gilt, due 2000 and strippable. There had been talk of a issue of the 7 per cent due 2001, and Mr Nigel Richardson, head of bond research at Yamaichi, said: "Clearly they are keen to pursue issuance of a bond which is strippable."

■ Italian government bonds experienced a volatile day, with the March future on Liffe opening at 111.20, and falling to 110.73 before closing at a high of 112.15, up 0.30 on the previous close.

Nervousness about the political situation was replaced with confidence after Mr Silvio Berlusconi, the centre-right politician, said he thought agreement could be reached on the formation of a government.

GOVERNMENT BONDS

The 10-year yield spread over Germany moved from 442 to 445 basis points.

■ Swedish government bond prices fell yesterday as investors continued to react to comments by Mr Goran Persson, finance minister, that appeared to threaten fiscal discipline.

The yield on the 10-year bonds rose nearly 40 basis points but fell back and closed up only 28 basis points on Friday's levels. Mr Persson yesterday reiterated that his plan to raise levels of sickness and unemployment benefits would be financed within the social insurance system.

Mr Graham McDevitt, senior bond strategist at Paribas Capital Markets, said Swedish bonds had enjoyed a rally during the past nine months, with the 10-year yield spread over Germany tightening from about 450 basis points last April to 215 points last week.

Mr David Brown, chief European economist at Bear Stearns International, said: "The Swedish government can ill-afford to 'play chicken' with the market on the austerity programme. The market has now put a well-timed shot across Persson's bows, with the message to keep battening down the fiscal hatches."

The yield spread over Germany on Sweden 10-year bonds spreads moved from 239 basis points to 238 points.

■ French government bonds ended lower, in line with other European markets. On Matif the March 10-year future settled at 122.76, down 0.04, while March Pibor fell 0.03 to 95.37.

■ US Treasury prices fell in thin trading early yesterday as traders prepared for new supply in the afternoon and watched political developments in Washington.

Near midday, the long bond was ⅜ lower at 110$\frac{25}{32}$ to yield 6.067 per cent, while at the short end of the maturity spectrum the two-year note was unchanged at 100$\frac{1}{32}$, yielding 5.077 per cent.

In the early afternoon the Treasury Department was due to announce the results of an auction of $18.25bn in two-year notes. Bonds often fall in advance of an auction as dealers attempt to push yields higher to make bonds more attractive to retail buyers. Today, the Treasury is to sell $12bn in five-year notes.

Worries that the US could default on its debt also weighed on the market yesterday. Mr Robert Rubin, the Treasury Secretary, sent a letter to the Speaker of the House, Mr Newt Gingrich, saying the Treasury would not be able to meet its obligations after March 1 unless Congress raised the federal borrowing limit.

Since November, Mr Rubin has paid off US debts while remaining under the technical borrowing limits by using funds from several government trust funds.

Refco pays $925,000 fine to the CFTC

By Laurie Morse in Chicago

Refco, the Chicago-based brokerage firm with a worldwide presence in the commodity and financial futures markets, has agreed to pay nearly $1m to settle an administrative complaint brought by the Commodity Futures Trading Commission, the chief derivatives regulator in the US.

The CFTC had accused Refco of violating rules requiring segregation of customer funds in the firm's dealings with five German accounts beginning in 1989 and continuing through 1992.

The agency also found that Refco had not adequately supervised its employees and had violated previous cease and desist orders against the firm.

Refco, which noted a civil suit on the same matter had been dismissed last year without any award of damages, said in a statement that no investor was ever damaged by Refco's actions as a broker for the German accounts, and that the firm simply executed and cleared transactions for these customers according to client instructions.

The firm agreed to the settlement because "it wanted to avoid protracted litigation with its primary regulator", a statement issued by Refco's attorney's said.

It said it had already implemented the internal controls and special reporting required by the CFTC's administrative order, and agreed to pay a fine of $925,000. The fine is among the largest ever imposed by the CFTC for an account segregation violation.

In December 1994, Refco agreed to pay $1.25m to settle a different complaint brought by the CFTC regarding to the firm's futures brokerage operations.

South Africa returns to sterling

By Conner Middelmann

Continuing its strategy of expanding its investor base and setting benchmark issues in various currencies, the Republic of South Africa made its long-awaited return to the sterling bond market yesterday with a successful £100m offering of 10-year bonds – the country's first sterling issue since the early 1980s.

The bonds, which yielded 190 basis points above gilts at the re-offer price, were placed predominantly with investors in the UK, both institutional and retail, joint leads J. P. Morgan and SBC Warburg said.

South African-qualified institutional buyers were, for the first time, allowed to buy into a South African foreign-currency bond following the partial removal of capital controls last week.

The issue was well oversubscribed and the yield spread narrowed to 186 basis points over gilts after the bonds were freed to trade.

After issuing a five-year US dollar global bond in 1994 and five-year domestic yen bonds in 1995, "we are very happy that we now have a 10-year deal in place", said Ms Maria Ramos, deputy director-general at the South African finance ministry.

Moreover, she said, "we were very pleased that we were able to do it at a spread below 200 basis points and – although that's comparing apples with pears – below the 193 basis point spread of our dollar global," she said.

South Africa chose the sterling sector because it "offered the best opportunity to get a 10-year maturity at a reasonable price" and because South Africa had no sterling in its debt portfolio, Ms Ramos said.

Funding plans for the fiscal year 1996–97, which begins in April, are not yet clear, but with DM400m of bonds maturing in October, the country is expected to access that market in the course of this year.

Elsewhere, DePfa, Germany's largest public-sector lender, surprised D-Mark players with plans to issue the first-ever global Pfandbrief.

The huge market for Pfandbriefe – bonds collateralised by public-sector or mortgage loans – has traditionally been domestically based, but issuers have recently been keen to attract greater international participation.

INTERNATIONAL BONDS

Rather than being an SEC-registered global issue, the bonds, which are expected to be launched early next week, will be sold into the US to qualified institutional buyers in a private placement under the SEC's Rule 144a. "They're trying to dress something up as a global bond that isn't," complained one dealer.

However, Mr Michael Dee, head of syndicate at Morgan Stanley, joint book-runner with Commerzbank, said: "Technically, 144a deals are considered to be global and the criteria for qualified investors encompass virtually everyone who would buy, say, a World Bank global bond. The way this issue will be marketed and traded will resemble a standard global bond, which is something that's lacking in the Pfandbrief market today."

DePfa hopes to place between 60 and 70 per cent of the issue outside Germany, including about 30 per cent in Asia and 10 to 20 per cent in the US. DePfa's public-sector Pfandbriefe are rated triple-A by Moody's and IBCA.

Elsewhere, the market saw a slew of US dollar-denominated floating-rate notes. Like previous FRN issues in recent weeks, the deals were aggressively priced, largely as a result of tight spreads in the secondary market. However, their lead managers reported solid demand from money-market funds and financial institutions.

Bankers Trust, which is on Standard & Poor's CreditWatch list for a possible downgrade, issued $300m of five-year floating-rate notes at an all-in cost of 26 basis points over Libor via PaineWebber.

Italy's Banca Nazionale del Lavoro issued $315m of seven-year FRNs at an all-in cost of 33 basis points over Libor, supported by some lead orders, said lead CS First Boston.

The National Bank of Canada meanwhile sold $200m of five-year floaters at an all-in cost of 15.5 basis points over Libor via Goldman Sachs.

Two deals also surfaced in the reviving French franc sector: the Kingdom of Sweden issued FFr3bn of eight-year bonds and Spanish bank Argentaria issued FFr2.5bn of 10-year paper.

● Puma, Australia's largest private sector issuer of mortgage-backed bonds, is planning its first eurobond issue in the second or third quarter of the year. Led by J. P. Morgan, the issue is expected to total up to $500m and will be split into two triple-A rated senior tranches and one subordinated tranche.

"Raising offshore funds will provide Puma with a diversified funding base, allowing us to expand our activities in the secondary mortgage market, spreading funding risk and reducing funding costs," said Mr Tony Gill, Puma managing director.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BNL London Branch‡	315	(a)	100.085R	Feb.2003	0.25R	-	CS First Boston
Bankers Trust NY Corp.(b)‡	300	(b1)	99.90R	Feb.2001	0.18R	-	PaineWebber/SBC Warburg
National Bank of Canada(c)‡	200	(c1)	99.915R	Feb.2001	0.15R	-	Goldman Sachs International
Opsec Dai-Ichi Denco Co.(d)♦	100	2.125	100.00	Feb.2000	2.25	-	Yamaichi Intl.(Europe)
STERLING							
Republic of South Africa	100	9.375	99.264R	Feb.2006	0.825R	+190(7½%-06)	JP Morgan/SBC Warburg
GUILDERS							
Aegon(e)	350	7.125	100.00R	undated	0.75R	+90(f)	ABN Amro Hoare Govett
Bayerische Vereinsbank	300	6.25	99.63R	Feb.2002	0.275R	+20(8¼%-02)	ABN Amro Hoare Govett
FRENCH FRANCS							
Kingdom of Sweden	3bn	6.25	100.00R	Feb.2004	0.30R	+12(5¾%-04)	BNP/Merrill Lynch Finance
Argentaria Global Finance	2.5bn	6.60	99.15R	Feb.2006	0.375R	+26(l)	CDC
ITALIAN LIRE							
European Investment Bank(f)‡	300bn	(f1,s)	100.15	Mar.2001	0.25	-	BCI/BNL/Cariplo/S.Paolo/JPM
LUXEMBOURG FRANCS							
De NIB(s)	2.5bn	5.60	102.25	Feb.2002	1.875	-	BIL
PESETAS							
Finnish Export Credit	10bn	6.875	101.34	Feb.1999	1.38	-	Bco. Santander de Negocios
SWEDISH KRONOR							
Swedish Export Credit	500	7.75	101.325	Mar.2000	1.625	-	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ♦With equity warrants. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +30bp. b) Callable on coupon dates from Feb.99 at par. b1) 3-mth Libor +20bp. c) Callable on coupon dates from Feb.99 at par. c1) 3-mth Libor +10bp. d) Fixing: 30/1/96. Downward revision clause effective Feb.98. e) Callable on 4/3/11 and every 10 yrs at par. If not called coupon is reset at 85bp over 10-yr DSLs. f) L700bn launched 10/1/96 was increased to L1000bn. f1) 3-mth Libor -30bp. l) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.2300	−0.660	8.19	8.26	8.30
Austria		6.500	11/05	102.4000	−0.090	6.16	6.18	6.67
Belgium		6.500	03/05	101.2100	+0.040	6.32	6.37	6.70
Canada *		8.750	12/05	111.4000	−0.740	7.12	7.11	7.38
Denmark		8.000	03/06	107.1000	−0.480	6.99	6.94	7.32
France	BTAN	7.000	10/00	106.5000	−0.130	5.40	5.33	6.00
	OAT	7.250	03/06	106.6300	−0.200	6.34	6.34	6.63
Germany Bund		6.000	01/06	101.2200	−0.060	5.83	5.82	6.10
Ireland		8.000	08/06	105.0000	−0.250	7.29	7.30	7.48
Italy		10.500	09/05	102.6500	−0.670	10.06†	10.10	10.90
Japan	No 129	6.400	03/00	117.9730	+0.030	1.74	1.71	1.29
	No 174	4.600	09/04	111.2820	+0.150	2.96	2.98	3.00
Netherlands		6.000	01/06	101.2200	−0.140	5.83	5.83	6.13
Portugal		11.875	02/05	115.6100	−0.390	9.25	9.31	10.21
Spain		10.150	01/06	104.4900	−0.660	9.39	9.28	10.11
Sweden		6.000	02/05	86.2260	+0.060	8.22	8.09	8.81
UK Gilts		8.000	12/00	105-10	−6/32	6.69	6.67	6.85
		8.500	12/05	108-01	−6/32	7.34	7.31	7.45
		9.000	10/08	112-02	−7/32	7.51	7.48	7.62
US Treasury *		5.875	11/05	101-25	−15/32	5.63	5.59	5.72
		6.875	08/25	110-31	−26/32	6.07	6.11	6.06
ECU (French Govt)		7.500	04/05	105.2800	−0.300	6.71	6.66	7.11

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	122.88	122.76	−0.04	122.92	122.52	179,797	133,625
Jun	123.20	123.30	−0.14	123.38	123.18	247	12,376
Sep	122.00	122.10	−0.24	122.06	122.08	62	2,085

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.70	100.86	+0	100.89	100.50	173444	234631
Jun	99.90	100.16	+0	100.13	99.83	196	9484

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10050	0.38	0.82	0.70	1.10	0.02	0.46	1.04	1.44
10100	0.04	0.54	0.60	0.88	0.16	0.68	1.34	1.72
10150	0	0.32	0.35	0.69	0.34	0.96	1.69	2.03

Est. vol. total, Calls 19643 Puts 16154. Previous day's open int., Calls 244616 Puts 229068

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111.56	111.98	+0.11	112.10	110.73	74623	63062
Jun	110.80	111.61	+0.09	111.20	110.35	365	2648

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Tue Jan 23	Day's change %	Mon Jan 22	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	123.92	−0.17	124.13	2.59	0.12
2 5-15 years (21)	151.99	−0.19	152.27	3.63	0.00
3 Over 15 years (9)	168.18	−0.18	168.49	2.39	1.02
4 Irredeemables (6)	194.12	−0.01	194.14	3.15	0.00
5 All stocks (57)	146.31	−0.18	146.57	2.61	0.21
Index-linked					
6 Up to 5 years (1)	198.30	+0.12	198.06	2.18	0.00
7 Over 5 years (11)	190.61	+0.02	190.57	1.11	0.00
8 All stocks (12)	190.65	+0.02	190.61	1.13	0.00

	Low coupon yield Jan 23	Jan 22	Yr. ago	Medium coupon yield Jan 23	Jan 22	Yr. ago	High coupon yield Jan 23	Jan 22	Yr. ago
5 yrs	6.76	6.73	8.72	6.83	6.78	8.73	6.90	6.84	8.92
15 yrs	7.58	7.55	8.62	7.62	7.60	8.74	7.72	7.71	8.95
20 yrs	7.70	7.66	8.59	7.72	7.70	8.74	7.78	7.77	8.88
Irred.†	7.78	7.78	8.66						

	Inflation 5% Jan 23	Jan 22	Yr. ago	Inflation 10% Jan 23	Jan 22	Yr. ago
Up to 5 yrs	2.39	2.43	4.06	1.11	1.16	2.75
Over 5 yrs	3.50	3.50	3.65	3.29	3.29	3.75

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 23	Jan 22	Jan 19	Jan 18	Jan 17	Yr ago	High*	Low*
Govt. Secs. (UK)	95.98	96.20	96.22	96.34	95.97	90.55	96.34	90.22
Fixed interest	114.74	115.23	115.01	114.89	114.87	109.01	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16
Gilt Edged bargains	95.5	101.9	101.8	98.7	94.5
5-day average	98.4	95.6	93.2	91.2	88.4

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on January 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅝	99¾		5.39
Abbey Natl Treasury 6½ 03	1000	102½	102¾	−⅛	6.06
ABN Amro Bank 7¼ 05	1000	107¼	107½	−¼	6.21
Sweden 8 97	2500	107¼	107⅜		3.71
United Kingdom 7¼ 97	5500	105⅞	106	−⅛	3.81
Volkswagen Intl Fin 7 03	1000	105⅞	106	−⅛	6.02
World Bank 0 15	2000	31⅛	31¼	+⅛	6.04
Abbey Natl Treasury 6 03 £	1000	102	102¼	−⅛	7.89
Alliance Leics 11⅜ 97 £	100	106	106¼		6.33
British Land 8⅞ 23 £	150	94⅛	94½		9.70
Denmark 6¾ 98 £	800	100⅝	100⅞	−⅛	6.65

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar revives on talk of lower German rates

By Graham Bowley

The dollar and high-yielding European currencies recovered on the foreign exchanges yesterday on the back of the renewed belief that German interest rates are set to remain low.

Suspicions that German economic growth was not as weak as had been suspected and that expectations of lower interest rates were overdone prompted a sell-off in the dollar and high-yielding currencies in favour of the D-Mark on Monday.

But the D-Mark's rise yesterday appeared to have been only temporary. The German currency rallied strongly early in the session, supported by worries over European monetary union, before retreating in later trading to finish lower against the dollar, the yen and other European units.

The D-Mark's demise allowed the Italian lira, the Swedish krona and the Spanish peseta, which had been among those hardest hit on Monday, to regain some of their lost ground. Sterling also had a good day, rising against the D-Mark but lagging behind the dollar's rally.

The dollar finished against the D-mark at DM1.4773, from DM1.4755. It also closed higher against the yen at Y105.82 from Y105.7550 at the previous close.

The pound finished at DM2.2366 from DM2.2353 against the D-Mark. Against the dollar, it finished at $1.514 from $1.5149.

Sterling's trade-weighted exchange rate index closed at 83.0 from 82.9 at the previous close.

The lira closed at L1,080 against the D-Mark, from L1,077. The French franc finished *slightly* weaker against the D-Mark, at FFr3.426, from FFr3.418.

■ Pound in New York

Jan 23	Latest	Prev. close
£ spot	1.5120	1.5112
1 mth	1.5110	1.5101
3 mth	1.5091	1.5083
1 yr	1.4996	1.4985

■ The recovery of the dollar and other European currencies after Monday's slide demonstrated that the recent trend away from the D-Mark into high-yielding currencies was still intact, analysts said.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said that Monday's decline had been due to profit-taking.

He said: "What we have seen over the last two sessions has all the hallmarks of profit-taking and little in the way of a serious trend away from the high-yielders. The market is now returning to the view that German interest rates are going to remain low for a long period of time."

The case for lower interest rates was supported by data showing low German inflation and weak activity. Figures showed that producer price inflation remained low at the end of last year, while the Ifo research institute said there had been further reductions in industry capacity constraints in the fourth quarter of last year.

Source: FT Extel

"Taken together this paints the picture of a very sluggish economy and one that needs lower interest rates," said Mr Steve Hannah, head of research at IBJ International in London.

This view was supported by comments by Mr Reimut Jochimsen, a member of the Bundesbank council. His suggestion that there might be scope for a further decline in official interest rates, although this depended on developments in M3 money supply, helped support the dollar.

■ The US currency's recovery was further underpinned by signs of stronger US economic growth. Data showing a large rise in personal spending and in weekly retail sales showed that the economy was in "reasonable shape which is dollar supportive," according to Mr Hannah.

Worries that the stand-off between the Whitehouse and Republican leaders over the US budget might cause the US to default on its debt obligations caused a sell-off in the US Treasury market but this was largely shrugged off by the US currency.

■ A surprisingly strong rise in UK M4 money supply last month, which took broad money supply growth to 10 per cent in the year to December, dented expectations of a further UK interest rate cut and prompted an early sell-off in the short sterling futures market.

But short sterling recovered after the turnaround in interest rate sentiment in Germany lifted euromark futures. It was also supported by a survey of industrial trends which painted a gloomier picture of the UK manufacturing sector.

The June short sterling future on Liffe settled at 94.13, unchanged from the previous close.

■ OTHER CURRENCIES

Jan 23	£	$
Czech Kr	41.0748 - 41.1114	27.1378 - 27.1470
Hungary	212.448 - 212.837	140.380 - 140.410
Iran	4540.20 - 4548.80	3000.00 - 3000.00
[illegible]	[illegible]	[illegible]
Poland	3.8332 - 3.8362	2.5325 - 2.5345
Russia	7146.45 - 7143.70	4719.00 - 4721.00
UAE	5.5587 - 5.5624	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7281	+0.0104	192 - 369	15.7513	15.6698	15.6846	3.3	15.6408	2.2	-	-	108.2
Belgium	(BFr)	45.9878	+0.0303	529 - 226	46.0240	45.7620	45.8728	3.0	45.6878	2.6	44.8278	2.5	108.4
Denmark	(DKr)	8.6526	+0.0027	480 - 571	8.6643	8.6255	8.6387	1.6	8.6138	1.8	8.5141	1.6	108.3
Finland	(FM)	6.6706	+0.0168	631 - 781	6.6830	6.6030	6.6662	0.8	6.6581	0.7	-	-	85.3
France	(FFr)	7.6607	+0.021	573 - 641	7.6765	7.6293	7.6489	1.8	[illegible]	1.6	7.5547	1.4	108.9
Germany	(DM)	[illegible]	+0.0013	354 - 378	2.2405	2.2275	2.2311	2.9	2.2214	2.7	2.1789	2.5	110.6
Greece	(Dr)	368.848	+0.803	622 - 074	369.418	365.904	-	-	-	-	-	-	66.1
Ireland	(I£)	0.9638	-0.0001	629 - 646	0.9668	0.9629	0.9629	1.1	0.9615	1.0	0.9575	0.7	97.8
Italy	(L)	2414.22	+6.26	321 - 524	2427.10	2403.17	2421.17	[illegible]	2434.32	[illegible]	2489.22	-3.1	72.5
Luxembourg	(LFr)	45.9878	+0.0303	529 - 226	46.0240	45.7620	[illegible]	3.0	45.6878	2.6	44.8278	2.5	[illegible]
Netherlands	(Fl)	2.5049	+0.0018	035 - 063	2.5088	2.4953	2.4977	3.4	2.4853	[illegible]	2.4354	2.8	[illegible]
Norway	(NKr)	9.8032	+0.0097	983 - 080	9.8198	9.7555	9.7931	1.2	9.7716	1.3	9.6804	1.2	98.6
Portugal	(Es)	232.005	+0.786	823 - 186	233.488	230.889	232.45	-2.2	233.395	[illegible]	-	-	95.5
Spain	(Pta)	188.569	+0.191	474 - 664	188.718	187.891	189.054	-3.1	[illegible]	-3.0	194.224	-3.0	82.1
Sweden	(SKr)	10.3854	+0.0409	754 - 953	10.4344	10.3359	10.3873	-0.2	10.391	-0.2	10.4062	-0.2	86.3
Switzerland	(SFr)	1.7987	+0.0007	974 - 999	1.8015	1.7921	1.7916	4.7	[illegible]	4.5	1.7222	4.3	115.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.0
Ecu	-	1.2158	+0.0028	152 - 164	1.2174	1.2101	1.2147	1.1	1.2128	1.1	1.2046	0.9	-
SDR†	-	1.035230	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5138	-0.0008	133 - 142	1.5183	1.5116	-	-	-	-	-	-	-
Brazil	(R$)	1.4779	+0.002	772 - 785	1.4822	1.4728	-	-	-	-	-	-	-
Canada	(C$)	2.0768	+0.002	763 - 772	2.0835	2.0694	2.075	0.8	2.0719	0.8	2.0644	0.6	83.5
Mexico	(New Peso)	11.1204	+0.0237	023 - 384	11.1384	11.0966	-	-	-	-	-	-	-
USA	($)	1.5140	-0.0009	136 - 144	[illegible]	1.5118	1.5129	0.9	1.5111	0.8	1.5015	0.8	86.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0598	-0.011	585 - 610	2.0692	2.0585	2.0613	-0.9	2.0651	-1.0	2.0816	-1.1	86.3
Hong Kong	(HK$)	11.7051	-0.0074	016 - 086	11.7400	11.6897	11.698	0.7	11.6899	0.5	11.6694	0.4	-
India	(Rs)	54.1179	-0.161	809 - 549	54.2820	54.1300	-	-	-	-	-	-	-
Israel	(Shk)	4.7377	+0.005	329 - 425	4.7440	4.7258	-	-	-	-	-	-	-
Japan	(Y)	160.212	+0.004	109 - 314	160.500	159.830	159.377	6.3	157.872	5.8	151.[illegible]	5.4	137.7
Malaysia	(M$)	3.8689	-0.0014	651 - 687	3.8770	3.8622	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2865	+0.0079	850 - 880	2.2969	2.2790	2.2894	-1.5	2.2955	-1.7	2.3206	-1.5	104.6
Philippines	(Peso)	39.6668	+0.0067	305 - 530	39.7520	39.5806	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6784	-0.0034	766 - 801	5.6954	5.6709	-	-	-	-	-	-	-
Singapore	(S$)	2.1485	-0.0075	472 - 498	2.1546	2.1449	-	-	-	-	-	-	-
South Africa	(R)	5.5223	-0.0022	201 - 245	5.5365	5.5131	-	-	-	-	-	-	-
South Korea	(Won)	1192.35	-3.36	196 - 274	1195.90	1190.98	-	-	-	-	-	-	-
Taiwan	(T$)	41.5328	-0.0247	196 - 460	41.6567	41.4747	-	-	-	-	-	-	-
Thailand	(Bt)	38.3118	-0.0152	866 - 370	38.3960	38.2520	-	-	-	-	-	-	-

† Rates for Jan 22 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.3884	+0.013	853 - 915	10.4010	10.3500	10.3729	1.8	10.3409	1.8	10.2184	1.6	108.0
Belgium	(BFr)	30.3750	+0.028	600 - 900	30.3990	30.2400	30.323	2.1	[illegible]	2.0	29.86	1.7	108.0
Denmark	(DKr)	5.7150	+0.0051	135 - 165	5.7209	5.6980	5.71	1.0	5.7005	1.0	5.7225	-0.1	106.5
Finland	(FM)	4.5381	+0.0135	343 - 418	4.5485	4.4988	4.5381	1.3	4.5244	1.2	4.4956	0.9	84.5
France	(FFr)	5.0599	+0.0165	590 - 605	5.0680	5.0390	5.0558	1.0	5.0503	0.8	5.0314	0.6	106.6
Germany	(DM)	1.4773	+0.0018	769 - 777	1.4792	1.4717	1.4749	1.9	1.4702	1.9	1.4506	1.8	109.8
Greece	(Dr)	243.625	+0.875	540 - 710	244.000	241.590	245.3	-6.3	248.55	-6.1	263.375	-8.1	65.6
Ireland	(I£)	1.5709	-0.0009	699 - 719	1.5751	1.5670	1.5714	-0.3	1.5718	-0.2	1.5679	0.2	-
Italy	(L)	1594.60	+5.08	435 - 485	1598.00	1589.75	1601.45	-5.2	1613.5	-4.7	1671.5	-4.8	72.2
Luxembourg	(LFr)	30.3750	+0.028	600 - 900	30.3990	30.2400	30.323	2.1	30.235	1.8	29.83	1.5	108.0
Netherlands	(Fl)	1.6545	+0.0022	540 - 550	1.6564	1.6488	1.6512	2.4	1.6449	2.3	1.6221	2.0	107.9
Norway	(NKr)	6.4750	+0.0102	735 - 765	6.4830	6.4495	6.4727	0.4	6.4645	0.6	6.4475	0.4	97.6
Portugal	(Es)	153.240	+0.61	180 - 300	154.270	152.300	153.615	-2.9	154.395	-3.0	157.99	-3.1	95.8
Spain	(Pta)	124.550	+0.2	520 - 580	124.820	124.180	124.945	-3.8	125.68	-3.6	129.17	-3.7	81.7
Sweden	(SKr)	6.8596	+0.0311	548 - 648	6.8915	6.8314	6.8767	-3.0	6.9061	-2.7	7.0436	-2.7	85.9
Switzerland	(SFr)	1.1880	+0.0011	875 - 885	1.1896	1.1832	1.1842	3.8	1.1769	3.7	1.1475	3.4	114.8
UK	(£)	1.5140	-0.0009	136 - 144	1.5186	1.5118	1.5129	0.9	1.5111	0.8	1.5015	0.8	82.4
Ecu	-	1.2459	-0.0027	450 - 466	1.2606	1.2441	1.2466	-0.3	1.248	-0.2	1.2466	-0.1	-
SDR†	-	0.68545	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9762	+0.0019	760 - 765	0.9783	0.9743	-	-	-	-	-	-	-
Canada	(C$)	1.3714	+0.0021	711 - 716	1.3720	1.3684	1.3716	-0.1	1.3717	-0.1	1.3787	-0.5	83.2
Mexico	(New Peso)	7.3450	+0.02	350 - 550	7.3550	7.3350	7.3472	-0.4	7.3504	-0.3	7.3535	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3604	-0.0065	600 - 609	1.3620	1.3600	1.3624	-1.8	1.3669	-1.8	1.3846	-1.8	86.7
Hong Kong	(HK$)	7.7313	-0.0002	310 - 315	7.7320	7.7310	7.732	-0.1	[illegible]	-0.1	7.7608	-0.4	-
India	(Rs)	35.7450	-0.085	300 - 600	35.8620	35.7300	35.895	-5.0	36.2	-5.1	37.67	-5.4	-
Israel	(Shk)	3.1293	+0.0062	269 - 316	3.1625	3.1220	-	-	-	-	-	-	-
Japan	(Y)	105.820	+0.065	780 - 860	105.910	105.500	105.395	5.5	104.5	5.0	101.165	4.4	136.1
Malaysia	(M$)	2.5541	+0.0006	536 - 546	2.5565	2.5534	2.555	-0.4	2.5611	-1.1	2.5846	-1.2	-
New Zealand	(NZ$)	1.5101	+0.0061	097 - 106	1.5119	1.5097	1.5132	-2.5	1.519	-2.4	1.5436	-2.2	-
Philippines	(Peso)	26.2000	+0.02	800 - 600	26.2500	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4191	-0.0041	186 - 195	1.4240	1.4180	1.4156	3.0	1.4096	2.7	1.3841	2.5	-
South Africa	(R)	3.6475	+0.0007	470 - 480	3.6480	3.6449	3.6758	-9.5	3.7277	-8.8	3.951	-8.3	-
South Korea	(Won)	787.550	-1.75	500 - 600	788.100	787.200	790.55	-4.6	794.05	-3.3	812.55	-3.2	-
Taiwan	(T$)	27.4325	-	310 - 340	27.4340	27.4250	27.4525	-0.9	27.4925	-0.9	-	-	-
Thailand	(Bt)	25.3050	+0.005	950 - 150	25.3150	25.2800	25.4037	-4.7	25.6075	-4.8	26.49	-4.7	-

† SDR rate per $ for Jan 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 22: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.66	4.863	2.097	5250	5.448	21.32	504.6	410.2	22.58	3.910	2.175	4.515	3.293	348.4	2.645
Denmark	(DKr)	53.14	10	8.854	2.584	1.114	2790	2.895	11.33	[illegible]	218.0	12.00	2.078	1.156	2.399	1.750	185.1	1.405
France	(FFr)	60.02	11.29	10	2.919	1.258	3151	3.270	12.80	302.8	246.2	13.55	2.347	1.305	2.710	1.976	209.1	1.587
Germany	(DM)	20.56	3.870	3.426	1	0.431	1080	1.120	4.384	103.8	84.35	4.642	0.804	0.447	0.928	0.677	71.65	0.544
Ireland	(I£)	47.70	8.975	7.947	2.320	1	2504	2.599	10.17	240.7	195.6	10.77	1.865	1.037	2.154	1.571	166.2	1.261
Italy	(L)	1.905	0.358	0.317	0.093	0.040	100.	0.104	0.406	9.611	7.813	0.430	0.074	0.041	0.086	0.063	6.636	0.050
Netherlands	(Fl)	18.35	3.454	3.058	0.893	0.385	963.7	1	3.913	92.61	75.29	4.144	0.718	0.399	0.829	0.604	63.95	0.485
Norway	(NKr)	46.90	8.827	7.816	2.281	0.983	2463	2.555	10	236.7	192.4	10.59	1.834	1.020	2.118	1.544	163.4	1.240
Portugal	(Es)	19.82	3.730	3.302	0.964	0.415	1041	1.080	4.225	100.	81.29	4.474	0.775	0.431	0.895	0.653	69.05	0.524
Spain	(Pta)	24.38	4.588	4.062	1.186	0.511	1280	1.328	5.198	123.0	100.	5.504	0.953	0.530	1.101	0.803	84.94	0.645
Sweden	(SKr)	44.30	8.336	7.381	2.154	0.929	2326	2.413	9.444	[illegible]	181.7	10	1.732	0.963	2.000	1.459	154.3	1.171
Switzerland	(SFr)	25.57	4.813	4.261	1.244	0.536	1343	1.393	5.452	129.0	104.9	5.773	1	0.556	1.155	0.842	89.10	0.676
UK	(£)	45.98	8.653	7.661	2.236	0.964	2414	2.505	9.803	232.0	188.6	10.38	1.798	1	2.076	1.514	160.2	1.216
Canada	(C$)	22.15	4.168	3.690	1.077	0.464	1163	1.207	4.722	111.8	90.85	5.000	0.866	0.482	1	0.729	77.17	0.586
US	($)	30.37	5.715	5.060	1.477	0.637	1594	1.655	6.475	153.2	124.6	6.856	1.188	0.661	1.371	1	105.8	0.803
Japan	(Y)	28.70	5.401	4.782	1.396	0.602	1507	1.564	6.119	144.8	117.7	6.479	1.122	0.624	1.296	0.945	100.	0.759
Ecu		37.81	7.116	6.300	1.839	0.793	1985	2.060	8.062	190.8	155.1	8.536	1.479	0.822	1.707	1.245	131.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6789	0.6789	-0.0001	0.6815	0.6788	36,006	61,724
Jun	0.6839	0.6824	+0.0001	0.6843	0.6823	130	3,278
Sep	-	0.6852	-	-	-	10	1,358

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9525	0.9524	-0.0007	[illegible]	0.9516	17,035	76,433
Jun	-	0.9644	-	0.9665	[illegible]	231	3,553
Sep	-	0.9749	-	0.9747	0.9747	24	671

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8461	0.8465	-	0.8498	0.8461	18,914	42,425
Jun	0.8553	0.8547	+0.0009	0.8560	0.8542	46	1,015
Sep	-	[illegible]	-	-	-	14	102

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5116	1.5158	+0.0040	1.5166	1.5100	14,861	42,905
Jun	-	1.5110	+0.0020	1.5140	-	21	281
Sep	-	1.5100	+0.0042	1.5100	-	4	8

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.50	95.56	-	95.58	95.49	1026	4720
Sep	95.56	95.58	-	95.58	95.51	482	2791
Dec	95.45	95.49	-	95.48	95.42	234	[illegible]

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9050	0.31	0.79	1.16	0.25	0.22	0.32
9075	0.21	0.61	0.96	0.40	0.30	0.38
9100	0.12	0.47	0.78	0.56	0.41	0.45

Est. vol. total, Calls 3925 Puts 210. Previous day's open int., Calls 18995 Puts 18[illegible]

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

LEGAL NOTICES

DAITO SECURITIES EUROPE LIMITED

(Company No. 2443612)

(Registered in England and Wales)

As part of the refocusing of the trading activities of the Daito Securities Group of Companies it has been announced that Daito Securities will be withdrawing from their operations in the United Kingdom. As part of this process Daito Securities Europe Limited has now ceased carrying on business and, after dealing with its outstanding business affairs has been placed into a solvent liquidation procedure.

According notice is hereby given that creditors of the above company are required on or before 26th February 1996 to send their names and addresses and the details of their debts or claims and the names and addresses of their solicitors or legal representatives to Messrs A Wilkinson and M Hyde of Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ, England who are the liquidators of the above company.

If so required by notice in writing from the liquidators, such creditors, either personally or by their solicitors or legal representatives, shall attend at such time or place as shall be specified in the liquidators to prove their debts and claims and in default thereof they will be excluded from the benefit of a distribution made before such debts are proved.

This notice is purely formal and all creditors of the above company will be or have been paid.

A Wilkinson/M Hyde
Liquidators

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		535xd	-7	596	476½	5,531	5.5	13.4
Bulmer (HP)		509xd	—	510	392	288.2	3.0	15.9
Burn St Dist		124	-1	149	99	73.5	5.0	26.7
Grand Met		455xd	—	467	357	9,514	4.1	16.0
Guinness		484	+11	536	404	9,801	3.6	15.0
Highland		318	-2	410	315	423.6	3.1	14.4
Kirin Y		758¼	+1½	775¼	621	7,985	0.8	28.9
Macallan-Glen		157	-3	217	157	184.3	1.1	34.8
Macdon Martin A		635	—	700	600	87.0	2.1	17.9
Matthew Clark		608	—	894	539	588.1	4.2	–
Merrydown		107	-1	140	68	11.7	2.3	–
Seagram $		£23[illegible]	-½	£25[illegible]	£16[illegible]	6,415	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		50½	—	98	50¼	6.31	19.8	–
Cater Allen		474	—	525	418	154.5	7.9	7.6
Close Bros		337	—	*340½	217¼	411.5	3.2	14.9
Gerrard & Nat		471	—	475	395	229.8	6.0	15.2
Hambros		281	—	242	180	356.4	4.7	–
7½pc Cv Pf		102	—	112	94	131.4	9.2	–
Joseph (L)		453	—	483	353	24.0	5.2	15.6
King & Shaxson		145	-1	152	85	38.3	7.8	11.3
Rea Brothers		65	—	67	44	31.4	1.9	39.0
Schroders		1335	—	*1478	906½	2,015	1.3	19.0
N/V		1080	—	*1180	823¼	456.4	1.7	15.1
Singer & Fried		102	—	111	81	201.2	4.5	10.6
8½pc Cv Ln 09/14		£131½	—	£137	£1[illegible]	40.3	6.5	–
Union		97	—	121	70	[illegible]	[illegible]	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £TBS0 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

[illegible]

Prices for dealing January 23

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Bermuda Fund Ltd

[illegible]

Newport Investment Management
73 Front Street, Hamilton, Bermuda

[illegible]

Orion Fund Limited
8 Front St., Hamilton, HM11, Bermuda 441 292 8370

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 273, St Peter Port, Guernsey

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Apollo Investment Management Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الاصل

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

هكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Renewed weakness in gilts restrains equities

By Steve Thompson, UK Stock Market Editor

Worries about international bond markets continued to depress European equities and were mostly responsible for a disappointing performance from UK shares yesterday.

A twitchy start by Wall Street, ahead of an $18bn auction of two-year bonds and the State of the Union address on US television by President Clinton, was another factor unsettling markets.

The marketwide retreat by equities was all the more disappointing in the wake of the not unexpected victory by Granada in its hostile bid for Forte, the hotels to restaurants group.

Dealers, keen to see more bids emerging, had been hoping for a Granada success, which they said could pave the way for a spate of contested takeover battles.

But at the close of what was always an uncomfortable session for equities, the FT-SE 100 index was left only a fraction above the day's low. It closed a net 19.2 down at 3,735.0, after persistent bouts of profit-taking and futures-driven selling pressure.

There was much less downside pressure in the second-liners, however. The FT-SE Mid 250 index settled only 5.8 softer at 4,072.4.

Overnight losses of more than a point in US Treasury bonds, and opening falls in German bunds, increased the downward pressure on UK gilts, which declined by almost a half-point during early trading. Sentiment was also upset by news that M4 lending in December increased by 1 per cent over the month and by 10 per cent on an annualised basis, well above consensus forecasts of 0.4 per cent and 9.4 per cent respectively.

The M4 figures, dealers said, unsettled the market, reducing the chances of a further cut in UK interest rates in the near term.

Share prices started on a quietly dull note and paid little heed to Wall Street's overnight surge to yet another record, preferring to wait for direction of gilts and more news from the Forte bid.

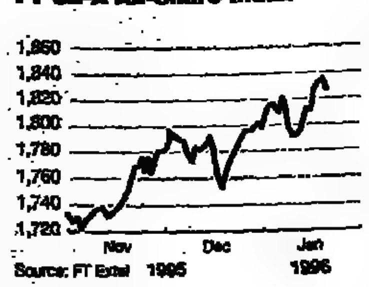
With the M4 news causing ripples of unease, however, the FT-SE 100 posted a near 15-point fall ahead of Wall Street's opening and the Forte bid result.

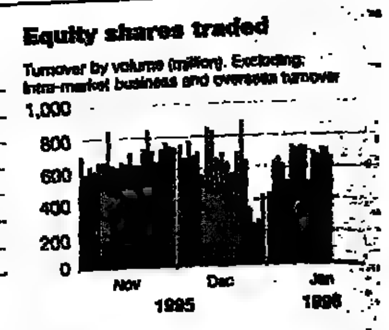
The Dow Jones Industrial Average dropped more than 20 points within five minutes of the opening and took London with it. At its lowest the FT-SE 100 was down 19.5, before easing off the bottom.

Forte topped the FT-SE 100 performance table, but Whitbread suffered as its conditional deal with Forte was shredded by Granada's victory. Dealers were quick to pinpoint the next potential bid targets, alighting on Guardian Royal Exchange, the composite insurer long viewed as prey for an overseas insurance group. Rexam and Ladbroke were others seen as liable to attract the attention of bidders.

Oil shares took another tumble as crude oil prices reflected the possibility of a resumption of Iraqi oil sales.

Turnover in equities reached 752.7m shares, with non-FT-SE 100 stocks again accounting for more than 60 per cent of the day's total. Customer business on Monday was valued at £1.72bn, well ahead of usual levels.





Indices and ratios

FT-SE 100	3735.0	-19.2
FT-SE Mid 250	4072.4	-5.8
FT-SE-A 350	1853.4	-8.1
FT-SE-A All-Share	1827.22	-7.29
FT-SE-A All-Share yield	3.73	(3.71)
FT Ordinary Index	2769.4	-10.2
FT-SE-A Non Fins p/e	16.84	(16.92)
FT-SE 100 Fut Mar	3755.0	-19.5
10 yr Gilt yield	7.33	(7.31)
Long gilt/equity yld ratio:	2.09	(2.09)

Best performing sectors

1. Insurance .... +0.6
2. Alcoholic Beverages .... +0.5
3. Lesiure & Hotels .... +0.3
4. Property .... +0.3
5. Paper, Pckg & Print .... +0.3

Worst performing sectors

1. Gas Distribution .... -1.3
2. Telecommunications .... -1.2
3. Oil, Intergated .... -1.1
4. Distributors .... -1.1
5. Chemicals .... -1.0

Granada win lifts Forte

Mid-afternoon news that Granada Group had won its bitterly contested takeover battle for Forte triggered a spate of buying in the defeated hotels group.

Forte shares were firm in early trading after Mercury Asset Management (MAM), the biggest stakeholder in both groups, pledged most of its holding in Forte to Granada, thus ensuring victory for the home entertainment group.

Buyers of Forte seeing it as the cheap way into Granada sent the shares to a day's peak of 387p, before they came off the top to close 11 up at 384p, the best performer in the Footsie yesterday.

The stock was by far the day's busiest and turnover reached a hefty 33m, nearly double the figure of its nearest rival. It was also the most heavily traded stock option, with the equivalent of 2.7m shares dealt by the close.

Dealers were surprised that MAM had taken the decision on its Forte shares, securing victory for Granada, and one said: "It shows you what a good fight Forte put up."

Shares in Granada fell 18 to 678p, having also seen an active session which brought volume of 12m. However, many analysts remain positive on the stock and Mr Bruce Jones at Merrill Lynch said this stock remains "fundamentally cheap, although it is likely to be quiet in the short term".

Pubs groups active

Brewing and leisure giant Whitbread, which was said to still be interested in buying Forte's roadside businesses, recovered from an early fall to close just 4 off at 684p.

There were rumours that it may turn its attention to The Pelican Group, the restaurant and bars operator. One analyst said such a takeover would be "cheaper for Whitbread and would offer it scope for enhancement of earnings".

A shortage of stock was reported in Regent Inns and the shares jumped 29 to 720p. Public houses group J.D. Wetherspoon continued to be boosted by bid speculation. The shares gained 16 at 716p, with attention shifting to Bass as the group's most likely suitor. Bass ended a penny lighter at 732p.

The prospect of replacing Forte in the premier FT-SE 100 index boosted Greenalls, which put on 7 at 604p. Credit Lyonnais Laing continues to favour the stock and Mr Peter Lucas at the broker believes: "It should be on the same earnings rating as Whitbread and it has a little way to go."

Guinness rose 11 to 484p following a buy recommendation from Morgan Stanley.

In leisures, London Clubs was in demand following a positive analysts visit to the company earlier this week. The shares climbed 15 to 459p.

As the dust on the Forte/Granada tussle settled, market-makers were identifying the next "hot" bid favourite.

It will be some time before asset allocation decisions are made by big investment funds. But by the time they do, it will be too late for speculative investors to turn a quick profit.

The most evident beneficiary of these thought processes was Rexam, the paper and packaging company. The shares advanced 10 to 379p as stories about a potential takeover re-emerged. Rexam saw its share price tumble last year following two profits warnings. Also, the company was wallowing around without a chief executive for some time and seen to be vulnerable.

At the end of December bid rumours centred on Switzerland's Alusuisse-Lonza.

Yesterday, some traders added that a large seller had been cleared and that was giving relief to the shares. There was also talk of a note on the sector from Merrill Lynch.

Elsewhere, among blue chip stocks, Guardian Royal Exchange rose 6½ to 271½p and Sun Alliance gained 4 to 382p. The two insurers have been considered as prime takeover or merger candidates in a sector ripe for consolidation.

Midlands Electricity moved forward another 10 to 368p in spite of a company denial shortly before the close of trading that it was in talks with a rival. Tractebel, of Belgium, has been the name consistently linked with Midlands.

Pharmaceuticals group Zeneca fell 14 to 1285p in the wake of a trading statement which provided little upside impetus.

Zeneca said profits, before an exceptional charge of £60m for restructuring costs, would be at the upper end of market expectations.

But analysts said positive news in the pharmaceutical business was offset by a disappointing performance in speciality chemicals and seeds.

Also, ABN Amro Hoare Govett crystallised its recent sell stance on the stock in a note that landed on fund managers' desks this morning. The broker has lowered its 1996 profits forecast by 3 per cent and sees 1150p a share as fair value for the stock.

British Biotech, the pharmaceuticals company which has shot ahead on hopes for its cancer treatment, climbed a further 25 to 1970p. It is now nudging the £20 a share target set by Lehman Brothers towards the end of last year.

Oil shares drifted lower as brokers continued to voice caution on the sector and Shell's US arm reported lower than forecast fourth-quarter results.

The company cited lower margins for refined products and chemicals, and several analysts were concerned that the fall in chemicals earnings could be mirrored by UK oil companies, particularly BP and Shell when their results come out in the weeks ahead. Shell dropped 12 to 833p and BP shed 4½ to 514½p.

Confirmation that Farnell Electronics plans a big US takeover sliced the shares by almost 10 per cent and led to the heaviest turnover for two years. They closed 62 cheaper at 617p in 6.3m traded.

The market's defensive reaction was said to reflect the rights issue planned to finance around a fifth of the £1.85m deal plus the prospect of initial earnings dilution.

However, most analysts applauded the group's management verve – the deal stands to double Farnell's market capitalisation – and warmed to the trading forecasts. Farnell promises to increase both profits and dividend by 20 per cent this year.

Telecoms leaders fell as AT&T officially launched its nationwide telephone service in the UK. The US giant is competing directly with BT and the Mercury system owned by Cable and Wireless, and although the initial launch is limited to long distance business calls the market chose yesterday to focus on longer term competitive pressures.

BT came off 4 to 375p in turnover of 6.2m, while C&W, down 12 at 453p, was one of the day's second worst performing Footsie stocks.

News that US aircraft maker Boeing had picked up a $4bn contract washed over on to aerospace equipment supplier Smiths Industries, hoisting the shares 9 to 662p.

GKN rose 6 to 806p following switch advice from a leading broker which was said to be urging clients to buy GKN at the expense of Lucas Industries, off 5 at 197p.

Rolls-Royce, down a further 3 at 193p, continued to wilt on worries about big customer Fokker. Volume was again heavy at 16m traded.

AB Ports, which has trailed the market as a whole by 17 per cent over the past three months, put on 2 at 274p following a move from sell to hold by UBS.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 23	Jan 22	Jan 19	Jan 18	Jan 17	Yr ago	*High	*Low
Ordinary Share	2769.4	2779.6	2762.1	2773.5	2753.3	2251.3	2779.6	2238.3
Ord. div. yield	3.92	3.91	3.93	3.91	3.95	4.64	4.73	3.91
P/E ratio net	16.58	16.63	16.56	16.61	16.47	17.00	21.39	15.35
P/E ratio nil	16.37	16.42	16.35	16.40	16.27	16.47	22.21	15.17

*For 1995/96. Ordinary Share Index since compilation: high 2779.6 19/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2778.9	2774.6	2773.0	2770.2	2770.8	2773.8	2773.4	2772.2	2770.3	2779.1	2768.9

	Jan 23	Jan 22	Jan 19	Jan 18	Jan 17	Yr ago
SEAQ bargains	37,887	44,115	40,676	39,813	34,159	23,192
Equity turnover (£m)†	-	1720.1	2181.5	2203.8	1937.4	1867.7
Equity bargains†	-	46,860	48,146	41,431	38,896	30,157
Shares traded (mł)†	-	845.0	716.9	719.4	698.6	677.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	626	Total Highs	176	Total contracts	35,492
Total Falls	594	Total Lows	21	Calls	15,689
Same	1,596			Puts	19,603

Jan 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3765.0	3755.0	-19.5	3765.0	3752.0	7831	65283
Jun	3761.0	3757.5	-19.5	3761.0	3754.5	11	1183

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4080.0	4090.0	-	4080.0	4080.0	56	3363

■ FT-SE 100 INDEX OPTION (LIFFE) (*3736) £10 per full index point

	3550	3600	3650	3700	3750	3800	3850	3900
	C P	C P	C P	C P	C P	C P	C P	C P
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 4,275 Puts 5,525

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575	3625	3675	3725	3775	3825	3875	3925
	C P	C P	C P	C P	C P	C P	C P	C P
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 1,513 Puts 5,551 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	8.85	6½	5¼	†Ballynahinch	5¼		-	-	-	-
-	F.P.	23.6	125	115	Century Inns	118	+2	-	-	-	-
-	F.P.	38.5	114	108	Cox Insurance	113		-	-	-	-
-	F.P.	14.1	90	72	†Dmatek	75	+2	-	-	-	-
-	F.P.	25.6	88	73	Jupiter Split Cap	86½		-	-	-	-
-	F.P.	53.8	101	98	Jupiter Split Inc	98½		K7.24	-	9.2	-
-	F.P.	59.0	159	158	Jupiter Split Units	159		7.24	-	0.2	-
-	F.P.	9.06	¼	¼	†Mountcashel	¼		-	-	-	-
-	F.P.	0.19	8	8	†Nthn Palm Wts	8		-	-	-	-
-	F.P.	1.15	105	100	†Revelation P'dity	105		-	-	-	-
-	F.P.	0.79	7½	8	†SkyePharma Wts	6½	+¼	-	-	-	-
-	F.P.	4.20	140	128	†Viewinn	140	+8	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 22	% chg on day	Jan 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2288.84	+4.5	2187.66	1637.82	1.46	-	2209.35	1637.81
■ Regional Indices								
Africa (16)	3059.85	+6.1	2884.82	2798.00	2.97	32.15	3063.46	2272.74
Australasia (6)	2889.01	+1.8	2841.66	2263.83	2.10	42.28	2732.31	1788.20
North America (12)	2010.71	+4.3	1928.38	1482.85	0.67	60.06	1943.03	1340.18

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FT - SE Actuaries Share Indices — The UK Series

	Jan 23	Day's chge%	Jan 22	Jan 19	Jan 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3735.0	-0.5	3754.2	3748.4	3748.7	2969.0	3.82	2.07	15.75	2.71	1494.98
FT-SE Mid 250	4072.4	-0.1	4078.2	4073.8	4058.2	3395.6	3.60	1.82	19.12	18.11	1611.84
FT-SE Mid 250 ex Inv Trusts	4078.3	-0.1	4083.7	4081.5	4066.0	3412.5	3.74	1.87	17.86	20.45	1615.99
FT-SE-A 350	1853.4	-0.4	1861.6	1858.8	1857.4	1469.2	3.78	2.02	16.38	2.89	1518.71
FT-SE-A 350 Higher Yield	1863.2	-0.5	1872.3	1868.8	1867.4	1515.5	4.82	1.84	14.70	4.83	1268.32
FT-SE-A 350 Lower Yield	1848.0	-0.4	1855.0	1855.1	1851.8	1482.7	2.87	2.34	18.61	1.05	1282.74
FT-SE SmallCap	1996.88	+0.1	1995.67	1988.13	1980.22	1714.23	3.13	1.42	21.98	2.08	1616.21
FT-SE SmallCap ex Inv Trusts	1969.38	+0.1	1968.02	1961.20	1953.50	1698.46	3.35	1.61	19.56	2.15	1602.72
FT-SE-A ALL-SHARE	1827.22	-0.4	1834.51	1831.53	1829.71	1475.48	3.73	2.01	16.68	2.76	1521.17

■ FT-SE Actuaries All-Share

	Jan 23	Day's chge%	Jan 22	Jan 19	Jan 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3148.09	-0.9	3176.15	3199.26	3192.27	2825.39	3.71	2.02	16.63	0.00	1324.71
12 Extractive Industries(6)	4052.70	-0.3	4066.03	4073.53	4086.78	3505.41	3.66	2.56	13.33	0.00	1162.11
15 Oil, Integrated(3)	3192.01	-1.1	3227.06	3251.17	3238.52	2625.12	3.86	1.95	16.59	0.00	1376.97
18 Oil Exploration & Prod(15)	2083.27	+0.1	2082.09	2116.37	2125.71	1860.47	2.36	1.48	35.66	0.00	1236.56
20 GEN INDUSTRIALS(276)	2013.23	-0.4	2021.78	2016.70	2015.96	1789.47	4.10	1.90	16.04	0.54	1081.40
21 Building & Construction(34)	1040.64	-0.3	1043.29	1048.16	1051.10	946.35	3.86	2.18	14.83	0.36	857.68
22 Building Matls & Merchs(29)	1796.53	-0.4	1803.86	1793.08	1796.01	1693.00	4.17	2.03	14.76	0.40	891.79
23 Chemicals(23)	2454.33	-1.0	2478.14	2459.26	2447.13	2212.55	3.99	1.67	16.75	0.61	1143.36
24 Diversified Industrials(21)	1825.99	-0.6	1840.82	1832.72	1837.87	1759.66	5.40	1.56	14.63	0.00	1000.06
25 Electronic & Elect Equip(36)	2235.10	-0.3	2241.72	2264.85	2275.42	1820.47	3.22	1.95	19.83	1.31	1147.87
26 Engineering(71)	2231.31	-0.2	2236.01	2230.34	2221.18	1723.18	3.34	2.23	16.75	1.02	1336.35
27 Engineering, Vehicles(15)	2615.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(28)	2630.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(18)	1508.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(91)	3665.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(8)	2918.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(23)	2637.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(13)	2666.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(20)	1924.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(13)	5105.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(1)	4883.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(254)	2273.04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(32)	2800.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(24)	2781.58	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(45)	3581.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	2041.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(43)	1915.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(24)	2894.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(40)	1923.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(21)	2288.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(34)	2448.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(13)	2288.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	1651.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(7)	2028.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(12)	2080.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(688)	1923.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(108)	2904.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	4248.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	3592.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(24)	1448.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	3444.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00	1.53	20.16	0.00	1403.36
77 Other Financial(23)	2398.20	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	3.72	1.86	18.00	0.00	1344.63
79 Property(41)	1459.78	+0.3	1454.61	1449.85	1447.64	1342.25	4.26	1.32	22.24	2.02	898.59
80 INVESTMENT TRUSTS(127)	3097.63	-0.2	3104.42	3084.35	3072.28	2643.27	2.15	1.05	55.38	3.78	1073.98
89 FT-SE-A ALL-SHARE(904)	1827.22	-0.4	1834.51	1831.53	1829.71	1475.48	3.73	2.01	16.68	2.78	1521.17
FT-SE-A Fledgling	1129.52	.....	1129.32	1126.20	1123.10	988.90	3.00	2.21	18.89	1.68	1169.99
FT-SE-A Fledgling ex Inv Trusts	1127.25	.....	1127.08	1124.29	1121.46	993.32	3.30	2.40	15.78	1.79	1165.92

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3751.7	3743.2	3743.8	3740.4	3739.8	3742.6	3741.3	3739.0	3736.5	3751.7	3734.7
FT-SE Mid 250	4078.1	4078.0	4076.8	4075.4	4074.2	4074.1	4073.9	4073.4	4072.4	4079.4	4072.2
FT-SE-A 350	1860.5	1857.2	1857.3	1855.8	1855.5	1856.6	1856.1	1855.1	1854.0	1860.5	1853.9

Time of FT-SE 100 Day's high: 8.30am Day's low: 4.23pm. FT-SE 100 1995/96 High: 3754.2 (22/1/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1045.3	1046.1	1044.8	1043.6	1042.5	1041.4	1038.5	1040.9	1040.9	1040.8	1045.8	-6.0
Pharmaceuticls	5076.5	5063.9	5069.3	5067.0	5065.5	5072.1	5064.4	5066.8	5051.3	5047.0	5082.1	-35.1
Water	2074.5	2074.5	2074.2	2075.4	2075.7	2076.0	2076.0	2073.4	2073.7	2073.4	2077.3	-3.9
Banks, Retail	4303.2	4298.8	4312.0	4313.2	4306.1	4313.3	4309.2	4311.8	4308.4	4301.0	4309.2	-8.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	4,000	414	-2
ASDA Group†	17,000	107	-1
Abbey National†	2,000	654	-2
Albert Fisher	69	49	
Allied Domecq†	1,900	535	-7
Anglian Water	101	573	-8
Argos†	467	585	+4
Argyll Group†	1,800	346	-4
Arjo Wiggins	620	185	-7
Assoc. Brit. Foods†	349	379	+2
Assoc. Brit. Ports	914	274	+2
BAA†	936	499	
BAT Inds.†	1,800	577	-1
BET	1,300	129	-2
BICC	737	288	-3
BOC†	385	914	-6
BP†	5,800	514½	-4½
BPB Inds.	644	297	-2
BSkyB†	2,300	393½	-4½
BT†	6,200	375	-4
BTR†	7,200	333	-2½
Bank of Scotland†	2,300	300½	-2½
Barclays†	1,800	773	+3
Bass†	620	732	-1
Blue Circle†	6,000	350	+1
Booker	347	375	+1
Boots†	1,300	601	+1
Britannic	27	767	-2
Brit. Aerospace†	1,500	873	-15
British Airways†	3,400	516	-4
British Gas†	5,800	249	-3½
British Land	3,500	395	+2
British Steel†	4,000	165	-2
Bunzl	987	198½	-3
Burmah Castrol†	1,500	995	-4
Burton†	3,700	131½	-1½
Cable & Wire†	4,200	453	-12
Cadbury Schweppes†	806	539	-2
Caradon	847	210	-1
Carlton Comms.†	485	1033	
Coats Viyella	8,100	186½	-½
Comm. Union†	793	620	+3
Compass	369	479	
Cookson†	386	287	-2
Courtaulds†	3,300	441	-17
Dalgety	580	423	-2
De La Rue	2,300	702	-13
Dixons†	911	418	-1
East Midland Elec.	570	670	+2½
Electrocomps	3,200	349	+4
Eng China Clays	677	326	-2
Enterprise Oil†	2,000	374	-6
Eurotunnel Units	183	81	
FKI	2,800	198	+1
Foreign & Col. I.T.†	713	162½	-1½
Forte†	33,000	384	+11
Gen. Accident†	373	659	-1
General Elect.†	4,100	357½	-1
Glaxo Wellcome†	3,400	900	-11
Glynwed	838	338	+2
Granada†	12,000	678	-18
Grand Met.†	873	445	
GUS†	3,100	665	-7
Greenalls	2,100	604	+7
GRE†	1,800	271½	+6½
GKN†	549	806	+6
Guinness†	3,800	484	+11
HSBC (75p shs)†	1,800	1079	-8
Hammerson	85	[illegible]	+3
Hanson†	8,100	206½	-1½
Harrisons Crosfield	414	150	-1
Hays	212	371	+3
Hillsdown	3,500	178	-1
IMI	865	315	+1½
ICI†	304	821	+6
Inchcape	2,300	275	-1
Johnson Matthey	918	535	
Kingfisher†	1,100	593	-5
Kwik Save	365	507	-5
Ladbroke†	2,300	184	+2
Land Securities†	794	[illegible]	+5
Laporte	154	[illegible]	-2
Legal & General†	715	694	+1
Lloyds Abbey	849	478	-6
Lloyds TSB†	3,800	342½	-2½
LASMO†	7,100	168	+2
London Elec.	182	713	+9
Lonrho	2,800	205	+1
Lucas	17,000	197	-6
MEPC	1,700	402	
[illegible]	[illegible]	[illegible]	[illegible]
Smith (W.H.)	674	467	+1
Smith & Nephew†	431	184½	-1½
SmKl Beecham†	2,900	709	
SmKl Beecham Uts.†	2,200	697	+3
Smiths Inds.†	1,400	662	+9
Southern Elect.†	3,000	924	+9
South Wales Elect.	77	847	-1
South West Water	202	604	
Southern Water	58	966	-2
Standard Chartd.†	3,500	619	-9
Storehouse	2,900	288	-5
Sun Alliance†	779	382	+4
T&N	651	168	-6
TI Group†	2,700	479	+7
Tarmac	871	107	-1
Tate & Lyle†	2,800	465	+6
Taylor Woodrow	136	129	+1
TeleWest	212	137	-1
Tesco†	3,900	[illegible]	-4
Thames Water†	305	541	+1
Thorn EMI†	1,800	1627	-7
Tomkins†	1,800	276	-4
Trafalgar House	10,000	33½	-¼
Unigate	228	434	-2
Unilever†	2,400	1363	-2
United Biscuits	3,400	253	-2
Utd. News & Media	699	699	-5
United Utilities†	330	587	-3
Vodafone†	4,200	229½	
WPP	1,800	189½	-1½
Welsh Water	81	751	
Wessex Water	207	326	+½
Whitbread†	613	684	-4
Williams Hldgs.†	294	337	
Willis Corroon	60	150	-1
Wimpey	685	142	
Wolseley†	696	462	-3
Yorkshire Elect.	391	899	+2
Yorkshire Water	327	609	+2
Zeneca†	1,300	1285	-14

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 23 / Sch)

BELGIUM/LUXEMBOURG (Jan 23 / Frs.)

CZECH REP (Jan 23 / Koruna)

DENMARK (Jan 23 / Kr)

FINLAND (Jan 23 / Mkka)

FRANCE (Jan 23 / Frs.)

GERMANY (Jan 23 / Dm.)

GREECE (Jan 23 / Drachmae)

ITALY (Jan 23 / Lire)

NETHERLANDS (Jan 23 / Fl.)

NORWAY (Jan 23 / Kroner)

POLAND (Jan 23 / Zloty)

PORTUGAL (Jan 23 / Escudo)

SPAIN (Jan 23 / Pts.)

SWEDEN (Jan 23 / Kronor)

SWITZERLAND (Jan 23 / Frs.)

TURKEY (Jan 23 / TL Lira)

PACIFIC

JAPAN (Jan 23 / Yen)

AUSTRALIA (Jan 23 / Aust$)

HONG KONG (Jan 23 / H.K.$)

INDONESIA (Jan 23 / Rupiah)

MALAYSIA (Jan 23 / MYR)

NEW ZEALAND (Jan 23 / NZ $)

SINGAPORE (Jan 23 / S$)

SOUTH KOREA (Jan 23 / Won)

TAIWAN (Jan 23 / TW $)

THAILAND (Jan 23 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 23 / Can $)
4 pm close

MONTREAL (Jan 23 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jan 23 / Rand)

INDICES

	Jan 23	Jan 22	Jan 19	1995/96 High	1995/96 Low
Argentina					
General(29/12/77)	(u)	17895.51	17555.64	17895.51 23/1/96	6.88 19/1/86
Australia					
All Ordinaries(1/1/80)	2248.8	2260.6	2247.1	2274.80 8/1/96	1823.30 8/2/95
All Mining(1/1/80)	1015.0	1016.6	1007.9	1041.80 8/1/96	785.30 8/2/95
Austria					
Credit Aktien(30/12/84)	371.80	373.53	374.49	395.42 2/1/95	328.89 27/10/95
Traded Index(2/1/91)	1045.75	1050.45	1052.12	1088.31 2/1/95	892.15 23/10/95
Belgium					
BEL20(1/1/91)	1846.91	1857.71	1852.33	1862.33 19/1/96	1271.53 9/3/95
Brazil					
Bovespa(29/12/83)	(c)	49936.0	49090.0	49936.89 19/1/96	21302.89 9/3/95
Canada					
Metals Mnls◆(1975)	(u)	4881.66	4852.89	5288.37 23/11/95	3808.63 1/3/95
Composite◆(1975)	(c)	4848.98†	4821.00	4865.36 9/1/96	3891.41 30/1/95
Portfolio$§(4/1/83)	(u)	2394.58	2381.99	2394.86 22/1/96	1853.36 30/1/95
Chile					
IGPA Gen♥(31/12/80)	(c)	5738.37	5788.64	6383.19 11/7/95	4578.98 9/3/95
Denmark					
CopenhagenSE(3/1/83)	385.10	387.58	387.73	388.83 17/1/96	330.01 29/3/95
Finland					
HEX General(28/12/90)	1712.27	1702.71	1710.55	2332.22 14/9/95	1685.36 29/3/95
France					
SBF 250(31/12/90)	1284.22	1293.94	1297.44	1322.30 12/5/95	1154.41 13/3/95
CAC 40(31/12/87)	1934.08	1954.42	1964.28	2017.27 12/5/95	1721.14 23/10/95
Germany					
FAZ Aktien(31/12/58)	853.42	857.46	858.95	858.95 19/1/96	708.87 30/3/95
Commerzbank(1/12/53)	2475.30	2486.70	2488.80	2488.88 19/1/96	2018.79 30/3/95
DAX‡(30/12/87)	2384.47	2390.53	2398.76	2398.76 19/1/96	1910.98 28/3/95
Greece					
Athens SE(31/12/80)	983.88	988.30	988.47	998.30 22/1/96	787.15 16/3/95
Hong Kong					
Hang Seng(31/7/64)	10957.22	10965.33	10784.09	10967.22 23/1/96	6967.93 23/1/95
India					
BSE Sens.(1979)	2896.70	2926.78	2918.21	3632.09 2/1/95	2898.70 23/1/96
Indonesia					
Jakarta Comp.(10/8/82)	574.30	571.32	562.35	574.30 23/1/96	414.21 19/4/95
Ireland					
ISEQ Overall(4/1/88)	2326.15	2327.58	2325.07	2327.58 22/1/96	1813.59 23/1/95
Italy					
Banca Comm Ital(1972)	607.45	613.38	611.78	680.54 10/2/95	547.79 5/12/95
MIB General(2/1/95)	1030.0	1040.0	1037.0	1040.80 22/1/96	882.00 15/1/96
Japan					
Nikkei 225(16/5/49)	20080.92	20195.53	20365.76	20989.80 5/1/96	14485.40 3/7/95
Nikkei 300(1/10/82)	292.58	294.15	297.38	307.98 5/1/96	222.29 13/6/95
Topix(4/1/68)	1564.10	1570.36	1585.52	1632.83 5/1/96	1193.16 13/6/95
2nd Section(4/1/68)	2080.59	2081.73	2091.61	2138.88 4/1/95	1441.98 13/6/95
Malaysia					
KLSE Comp.(4/4/86)	1071.48	1064.53	1056.89	1085.94 5/6/95	840.87 24/1/95
Mexico					
IPC(Nov 1978)	(u)	3087.48	3058.42	3087.48 22/1/96	1447.82 27/2/95
Netherland					
CBS TtlRtnGen(End 83)	550.3	554.5	554.7	554.70 19/1/96	422.80 23/3/95
CBS All ShrEnd 83)	333.2	335.8	335.9	335.90 19/1/96	286.29 23/3/95
New Zealand					
Cap. 40(1/7/86)	2064.85	2081.59	2078.74	2208.82 20/10/95	1881.43 5/1/95
Norway					
Oslo SE(Ind)(2/1/83)	1272.32	1278.15	1280.85	1316.20 9/1/96	1086.00 10/3/95
Philippines					
Manila Comp(2/1/85)	2673.68	2631.15	2764.52	2898.32 10/7/95	2188.48 20/11/95
Portugal					
BTA(1977)	2599.4	2608.4	2586.6†	2811.49 9/1/95	2412.59 22/11/95
Singapore					
SES All-S'pore(2/4/75)	599.17	587.32	580.78	599.17 23/1/96	472.80 23/1/95
South Africa					
JSE Gold(28/9/78)	1684.3♥	1672.0	1583.3	2023.09 2/1/95	1259.29 30/10/95
JSE Ind.(28/9/78)	8709.1♥	8685.4	8634.7	8709.10 23/1/96	6222.00 31/1/95
South Korea					
KoreaCompExt"(4/1/80)	850.83	842.80	848.07	1027.37 2/1/95	842.72 20/1/96
Spain					
Madrid SE(30/12/85)	328.17	330.28	330.54	330.54 19/1/96	284.86 23/3/95
Sweden					
AffarsvardnGen(1/2/37)	1710.9	1706.6	1722.4	1872.10 19/9/95	1439.89 29/3/95
Switzerland					
Swiss Bk Ind(31/12/58)	1525.72	1535.21	1532.88	1578.89 4/1/96	1174.63 13/3/95
SBC General(1/4/87)	1122.80	1132.51	1132.35	1186.88 4/1/96	870.08 13/3/95
Taiwan					
WeightedPr."(30/6/66)	5008.25	5030.00	5016.76	7051.49 5/1/95	4503.37 14/8/95
Thailand					
Bangkok SET(30/4/75)	1388.87	1369.43	1375.03	1472.94 10/7/95	1135.89 16/3/95
Turkey					
Istanbul Comp.(Jan 1986)	49167.4	49694.1	48017.6	54693.80 21/4/95	24844.30 23/1/95
WORLD					
MS Capital Intl(1/1/70)	727.3*	730.4	731.6	743.09 9/1/96	595.21 23/1/95
CROSS-BORDER					
Eurotrack 100(26/10/90)	1529.19	1538.46	1544.02	1544.82 19/1/96	1222.41 13/3/95
Euro Top-100(26/6/90)	1370.20	1377.10	1378.77	1378.77 19/1/96	1117.34 9/3/95
JCapelDrgns(31/12/88)	(u)	388.03	380.95	388.03 22/1/96	282.97 23/1/95
ING Brngs Emrg(7/1/92)	(u)	158.83	156.58	158.83 22/1/96	117.15 10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Jan	1953.0	1942.0	-19.5	1955.0	1939.0	16,529	35,284
Feb	1960.0	1949.0	-20.5	1961.0	1947.5	2,671	3,152
DAX							
Mar	2400.0	2405.0	+3.0	2409.0	2392.5	19,473	-
Jun	2413.5	2417.0	+2.0	2419.0	2407.0	1,672	-
OMX							
Jan	1324.75	1325.00	+11.00	1326.00	1310.75	5,124	11,383
Feb	1332.75	1333.50	+12.25	1333.50	1318.25	2,279	7,140
SOFFEX							
Jan	3239.7	3221.0	-27.0	3239.7	3211.0	5,683	12,826
Feb	-	3225.0		-	-	10	1,312

– Sat Jan 20: Taiwan Weighted Price 5037.25; Korea Comp Ex 842.72. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 23 - 2383.12 +1.38.

US INDICES

Dow Jones	Jan 22	Jan 19	Jan 18	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5219.36	5184.68	5124.35	5219.36 (22/1/96)	3832.08 (30/1/95)	5219.36 (22/1/96)	41.22 (2/7/32)
Home Bonds	105.80	105.78	105.77	105.88 (22/1/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1917.01	1897.65	1882.71	2062.11 (5/12/95)	1473.19 (3/1/95)	2062.11 (5/12/95)	12.32 (8/7/32)
Utilities	228.83	225.46	228.83	229.88 (16/1/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5254.77 (5214.68) Low 5139.02 (5087.49) (Theoretical◆)
Day's high 5219.36 (5183.71) Low 5175.65 (5111.70) (Actual◆)

Standard and Poors	Jan 22	Jan 19	Jan 18	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	613.40	611.83	608.24	621.69 (13/12/95)	459.11 (3/1/95)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials♥	719.37	718.06	710.80	731.85 (13/12/95)	545.28 (3/1/95)	731.85 (13/12/95)	3.62 (21/6/82)
Financial	81.86	81.78	81.24	83.86 (8/12/95)	41.84 (3/1/95)	83.86 (8/12/95)	8.64 (1/10/74)
NYSE Comp.	328.70	327.86	326.15	332.63 (3/1/96)	250.73 (3/1/95)	332.63 (3/1/96)	4.46 (25/4/42)
Amex Mkt Val	531.71	530.82	529.05	563.56 (12/9/95)	433.12 (6/1/95)	563.56 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1028.44	1018.45	1007.24	1069.79 (4/12/95)	743.58 (3/1/95)	1069.79 (4/12/95)	54.87 (31/10/72)

RATIOS

	Jan 19	Jan 12	Jan 5	Year ago
Dow Jones Ind. Div. Yield	2.28	2.33	2.28	2.77
	Jan 17	Jan 10	Jan 3	Year ago
S & P Ind. Div. yield	2.01	2.02	1.95	2.44
S & P Ind. P/E ratio	18.42	18.30	18.95	18.76

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Wal-Mart	6,644,700	20⅝	+⅛
IBM	5,288,900	102⅛	-⅛
Telefonos	5,148,100	34	-¼
Chrysler	5,022,500	57¾	+3⅜
Micron	5,006,100	31⅛	+¾
Motorola	4,484,200	53⅞	+2¼
Ford Motor	4,102,700	29⅝	+⅞
Pac Tele	3,915,600	28¼	-¾
Hlly-Dvdsn	3,286,100	30⅝	+3½
Fed Nat	3,159,900	31⅛	+⅝

TRADING ACTIVITY

● Volume (million)

	Jan 22	Jan 19	Jan 18
New York SE	395.995	498.951	449.891
Amex	21.294	20.407	22.798
NASDAQ	495.178	582.984	549.595
NYSE			
Issues Traded	3,098	3,095	3,090
Rises	1,202	1,308	1,379
Falls	1,100	1,031	973
Unchanged	796	756	738
New Highs	124	143	182
New Lows	23	22	31

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	613.70	613.10	-0.60	614.00	612.70	73,690	189,119
Jun	619.40	618.15	-1.00	619.40	618.15	306	8,515

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Mar	20280.0	20100.0	-170.0	20430.0	20090.0	24,210	146,948
Jun	20280.0	20120.0	-130.0	20400.0	20090.0	947	22,720

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Tuesday, January 23, 1996

	Stocks Traded	Closing Prices	Change on day
Sumitomo Seika	7.7m	730	-3
Toshiba	7.2m	810	-22
Takara Shuzo	6.9m	1180	+50
Koa Oil	6.7m	1260	+40
Japan Paper	5.4m	935	+18
Fujitsu	4.9m	1110	-40
Oki Electric	4.8m	855	-45
Tokyo Gas	4.5m	374	+3
Sanyo Electric	4.3m	605	-22
Tokyu	4.2m	709	-10

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close January 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22⅛	12⅛	AAR	0.48	2.3	24	240	20¾	20½	20⅝	+⅜
46¼	35	AMP	0.92	2.4	19	7037	38⅝	37¾	37⅞	-⅛
80¼	53⅞	AMR			30	3175	74⅞	73½	74¾	+1
47⅞	35⅞	ASA	1.71	3.8	29	1261	45⅜	44⅝	45	-⅛
44¾	30¾	AbbtL x	0.84	2.1	18	17688	39⅞	38⅛	39⅞	+⅝
18⅞	12	Abitibi Pr	0.40	2.6	8	705	15⅝	15⅜	15½	
28½	21	ABM Ind x	0.70	2.5	15	380	28¼	28⅛	28½	
17½	13⅛	Acptocain			10	131	14¾	14⅝	14⅝	+⅛
43½	21⅞	ACE Ltd	0.56	1.3	10	5005	u43½	42⅞	43⅞	+⅜
9⅞	8⅛	ACM Gvt In	0.48	5.1	8	471	9⅝	9½	9½	-⅛
7¾	6½	ACM GvOpp	0.66	8.8		34	7½	7⅜	7½	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.7		187	7	6⅞	7	+⅛
8¾	7¼	ACM Gvt Se	0.24	2.8		346	u8¾	8⅝	8⅝	
9½	7⅝	ACM Man	0.90	9.9		108	9¼	9⅛	9⅛	-⅛
29¼	10¼	AcmeCl	0.48	2.5	4	213	18¾	18⅜	19¼	+¾
38¾	7⅜	Acme Elect			67	68	8⅛	7⅞	8⅛	+⅛
34½	23¾	Acordia	0.72	2.5	15	42	29	28⅞	29	+⅛
18¾	10⅛	Acuson			41	734	13¼	12½	13⅛	+⅝
19⅝	15⅝	Adams Expr	0.36	1.9	0	344	18⅝	18⅜	18⅝	-⅛
38⅞	16⅛	Adv Mic			6	5355	19⅜	18⅞	19½	+⅛
9¾	5	Advest Grp	0.16	1.7	9	78	9⅝	9⅜	9⅜	-⅛
27½	16½	Advo Inc	0.10	0.5	22	242	21¼	21	21	-⅜
45¾	24.80	Aegon	1.28	2.9	16	118	44⅞	44¼	44¼	-⅝
5⅞	3⅜	Aerflr			8	46	3⅝	3½	3⅝	
78¾	46¾	AetnaL	2.76	3.7	35	3577	73⅞	73½	73⅞	

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close January 23

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
33¾	24⅛	SaraLee	0.68	2.1	19	6801	32⅝	32⅛	32⅝	+⅛
60⅛	39⅝	SBC Cm	1.65	3.0	17	4904	55¼	54¾	55	-⅛
28⅝	20½	Scana Corp	1.44	5.2	17	1812	27⅝	27⅛	27⅝	+⅛
18½	14½	Scecrp	1.00	5.5	10	7914	18⅛	17⅞	18⅛	
11¼	5⅞	[illegible]	0.28	3.3	20	128	8	7⅝	7⅝	+⅜
50¾	37¼	[illegible]			22	247	42⅞	42⅝	42¾	
60¾	35½	SchrPl	1.16	2.3	18	18513	51⅝	50½	51½	-¼
70⅞	50⅛	Schlmb	1.50	2.2	25	4916	67⅝	66¾	66¾	-⅞
26	11¼	Schwab(C)	0.16	0.7	24	3980	23⅞	22¾	23⅞	+1⅛
25¾	20⅞	[illegible]				804	24⅝	24⅛	24½	+¼
24⅞	11⅞	[illegible]	0.06	0.4	20	2581	15⅜	14⅞	15	-⅛
20	15⅛	Scotsman	0.10	0.6	11	62	17⅞	17¾	17¾	-⅛
40⅝	26⅞	Scripps	0.52	1.3	23	1106	39⅜	39	39¼	+¼
21½	13⅞	[illegible] x	0.02	0.1		758	18⅛	18	18	
11⅞	8⅝	[illegible]	0.16	1.4		285	11¾	11⅝	11¾	+⅛
20	13⅞	[illegible]	0.70	4.0	1	85	17⅝	17⅛	17½	+½
18¾	14⅝	[illegible]	1.46	8.5		2100	15⅞	15⅜	15⅝	
58	23⅝	[illegible]			10	15640	57¾	55⅞	56½	-1½
39½	25⅝	Seagrm	0.60	1.7	24	2032	36⅛	35⅝	36⅛	+⅜
22½	15¼	Seagull En			66	1834	18¼	17¾	18	-⅜
30¾	18	Sealed Air			23	331	29	28½	29	+⅝
43⅝	30⅛	SearsR	0.92	2.3	10	10059	41	40⅛	40⅝	+⅛
20⅛	18⅛	[illegible]	1.24	6.3	23	342	19¾	19⅝	19⅝	-⅛
12⅞	10⅛	[illegible] x	0.84	6.7		126	12¾	12⅝	12⅝	-⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close January 23

[illegible]

AMEX COMPOSITE PRICES

4 pm close January 23

[illegible]

AMERICA

US equities retreat as cyclicals fall

Wall Street

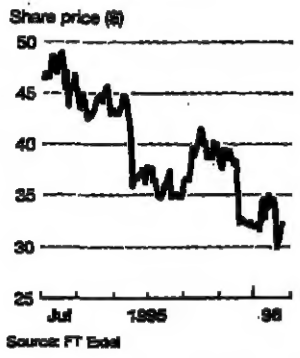
US share prices reversed the gains that were made late on Monday and were mostly lower in midsession trading yesterday, *writes Lisa Bransten in New York.*

At 12.30 pm the Dow Jones Industrial Average was 22.76 lower at 5,196.60 and the Standard & Poor's 500 had fallen 1.37 to 612.03. The American Stock Exchange composite rose 1.04 to 532.75. Volume on the NYSE came to 209m shares.

On Monday the Dow outperformed other indices, helped by rising cyclical issues, which are concentrated in the Dow, and yesterday it fell as cyclical shares reversed their gains.

Apple Computer

Share price ($)



Source: FT Extel

The Morgan Stanley index of cyclical issues was 0.4 per cent lower, while the counterpart index of consumer shares was unchanged.

In percentage terms, International Paper posted the largest decline among the Dow 30 companies with a loss of $1¼ or 3 per cent at $37½.

The stock fell after a warning by Georgia Pacific, which released its fourth-quarter results yesterday along with a warning that 1996 profits would not be as robust as those seen last year. Georgia Pacific slipped $⅞ to $67¼.

Other falling cyclical issues in the Dow included Caterpillar, off $1⅛ at $61¼, Boeing, $1⅝ lower at $77⅝, and Du Pont, which fell $⅜ to $72⅜.

Oil companies also hurt the Dow, which contains three major producers: Chevron lost $1½ at $52⅛, Exxon $1 at $78⅝ and Texaco $⅝ at $78¼.

Technology shares were mixed, with the Nasdaq composite, which is weighted towards that sector, off 1.04 at 1,028.40.

Apple Computer moved ahead $1⅛ to $32⅝ on rumours that it was in merger talks with Sun Microsystems. Sun dropped $3⅝ to $45 on the news.

Elsewhere, Premier Industrial jumped $7¼ or 30 per cent to $31⅞ on reports that Farnell Electronics, of the UK, planned to buy the company for cash and stock.

Cummins Engine retreated $1¼ or 3 per cent to $36⅝ after the company reported weaker than expected fourth-quarter earnings.

Salomon, the parent company of Salomon Brothers, fell $1⅛ or 3 per cent to $36⅞ after announcing its fourth-quarter earnings.

Earnings were hurt by losses at the company's oil refinery, and were not as strong as those reported in the third quarter of last year.

Canada

Toronto treated its broad equity market more kindly than Wall Street, although the precious metals index showed a fall of 91.67 by noon at 11,929.31 as the sector encountered profit-taking.

The TSE 300 composite index had declined 10.02 to 4,838.96 by midsession, its losses in golds, and in oil and gas stocks, partly offset by rises in metals and minerals and consumer products.

Volume rose from 42.45m shares to 47.33m at midday. Active stocks included Trizec, the real estate stock with old UK connections, which added C$¼ at C$10, TVX Gold, holding firm at C$12⅝, and Placer Dome, off C$⅝ at C$33¼.

Mexico tracks US

Mexico City gave back an early rise in reaction to the fall on Wall Street. By midsession the IPC index was down 13.64 on balance at 3,073.84.

The market had opened firmer as investors hoped for a reduction in domestic interest rates during the central bank's primary auction, due to be held later that day.

Bancomer, the financial group, was an early riser, up 5 per cent on a report that it was set to sell some of its equity to Bank of Montreal. Technical analysts said that the market was now targeting the 3,160 level in the short term.

SAO PAULO stood 1 per cent higher at midday as investors purchased Telebras. The Bovespa index was up 567.26 at 49,505.

However, a lack of news about progress on the constitutional reform debate in congress was said to be keeping trading at low levels.

A lower house panel was due to begin discussions on the government's pension reforms, but reports said that the president of the country's largest trade union would attempt to delay the debate.

Gold shares attract attention

The gold shares sector ended a busy day with fresh gains as a strong bullion price supported buying activity.

Dealers suggested that the gold price was likely to stay firm, and was looking to break the $405 an ounce level. However, the rally in bullion did not look entirely solid, they cautioned, and said that they would like the price to remain above the $400 an ounce level for at least another two weeks to convince more cautious fund managers of an extended bull run.

The overall index made 29.2 to 6,934.8, industrials rose 23.7 to 8,709.1 and the golds index added 12.3 at 1,684.3.

Anglos advanced R4 to R269, Rusplats moved ahead R3 to R74, De Beers was steady at R122.50 and Genbel put on 30 cents at R12.80, but Sappi fell R2.50 to R54.50 and Absa dipped 25 cents to R30.75.

EUROPE

Nedlloyd weakens on container price war fears

Another difficult day in AMSTERDAM saw a sharp loss in Nedlloyd, down 9 per cent at the opening on reports of a possible price war in container shipping in the Far East.

However, there was some bargain hunting during the day and the transport group recovered to Fl 31.70, off 6.8 per cent or Fl 2.30; there were reports that it had been downgraded by a number of domestic brokers.

The AEX index slipped 3.63 or 0.7 per cent to 504.80, partly on weakness in bonds, but also because of a sharp fall in the heavily weighted Royal Dutch, which gave up Fl 3.20 to Fl 222.

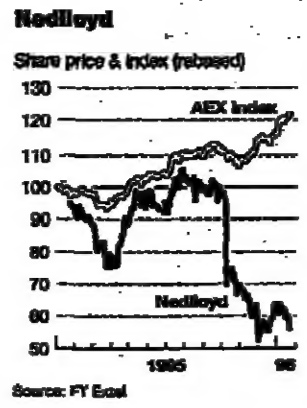
The oil group suffered following disappointing fourth-quarter figures from its US offshoot Shell Oil, where profits fell 11 per cent in 1995. Brokers added that Royal Dutch had been affected by a fall in price for crude, as well as worries regarding Iraq's possible re-entry as an oil producer.

Hoogovens, which said that it had taken a 30 per cent stake in a French company, dipped 80 cents to Fl 58.20.

FRANKFURT had second thoughts about Monday's tales of woe, taking its time in the case of Daimler, which came back from suspension and saw a low of DM752.05, down 2 per cent from last Friday's Ibis close, before it recovered to end DM9.20 better at DM776.90.

Nedlloyd

Share price & index (rebased)



Source: FT Extel

Daimler had support from fundamental and technical analysts. Deutsche Morgan Grenfell raised it from neutral to overweight, lifting its 1997 earnings per share forecast from DM52 to DM56 in the process; Vereinsbank also saw improved earnings prospects, and a couple of technical analysts liked the share price chart.

Monday's other big casualty, Bremer Vulkan, Germany's largest shipbuilder, heard the regional government of Bremen say that it would underwrite a new bank loan of DM220m; the shares recovered DM4.50 or 17.9 per cent after a 32 per cent drop on Monday.

Turnover rose from DM7.5bn to DM9.2bn as the Dax index closed 1.38 higher at an Ibis-indicated 2,393.12; Daimler accounted for DM2.44bn on the day. Meanwhile, Siemens held to its forecast of a 20 to 25 per cent gain in 1995/96 profits; but the stock, having outperformed for more than a year, rose just DM1 to DM823.50.

PARIS investors tidied their books ahead of the end of the monthly account today, and the CAC-40 index shed 20.34 to 1,934.06. Brokers observed that the new account would be affected by the release of 1995 corporate results, the first of which, Saint-Gobain, was due tomorrow. The industrial group lost FFr11 yesterday to FFr575.

There was better news from Euro Disney, rising sales lifting the stock by 20 centimes to FFr11.75.

Another outperformer, and a stock outside the CAC-40, TF1, the broadcaster, added FFr6.50 at FFr498.50 ahead of post-bourse results for 1995 which were in line with estimates. Its parent group Bouygues slipped FFr3 to FFr520.

FT-SE Actuaries Share Indices

Jan 23							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1526.78	1526.31	1526.88	1527.28	1527.05	1527.20	1528.61	1529.19
FT-SE Eurotrack 200	1633.33	1632.15	1632.22	1632.08	1633.64	1634.56	1635.74	1634.84

	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16
FT-SE Eurotrack 100	1535.46	1544.02	1537.42	1525.34	1522.85
FT-SE Eurotrack 200	1641.80	1639.55	1633.89	1618.45	1617.53

Base 1000 (26/10/90): High/day: 100 - 1529.28; 200 - 1635.89 Low/day: 100 - 1525.51 200 - 1631.14 † Partial

ZURICH fell on interest rate fears and on the easing US dollar, the SMI index losing another 30.5 at 3,219.4. Pharmaceuticals were weak, the most active stock, Roche certificates, dropping SFr100 at SFr8,890; and so were banks, where UBS bearers lost SFr33, or 2.5 per cent at SFr1,291.

However, Nestlé bucked the trend with a rise of SFr18 to SFr1,263, UBS getting a better reception here as it reaffirmed a buy recommendation on earnings forecasts rising from an estimated SFr73.60 a share for 1995 to SFr102.10 in 1998. Sulzer registered put on SFr8 at SFr760, but this was before a post-bourse progress report which talked of significantly lower profits for 1995, and better things in the current year.

MILAN went higher early on as some hopes emerged that the political situation might be nearing clarification. However, by the end of the day the situation was again muddied by a statement from the leader of the far-right National Alliance party which seemed to contradict the more positive overtures made during the morning. The Mibtel index rose 51 to 9,768, but the Comit lost 5.98 to 607.45.

STOCKHOLM's mood improved on a late afternoon rally in bond yields and on strong fourth quarter sales for Astra's Losec anti-ulcer drug, but the optimism was guarded as the Affärsvärlden General index closed 4.3 higher at 1,710.9.

Astra A rose SKr4 to SKr2.60 but the interest rate action came too late for rate-sensitive stocks, banks and constructions continuing extending Monday's losses with Handelsbanken off SKr3.50 at SKr126, and Skanska SKr2 lower, also at SKr126.

WARSAW built on Monday's gains as turnover rose 24 per cent to 92m zlotys. The Wig index rose 62.2 to 8,962.1.

Analysts said that investors were anticipating an interest rate cut in February or March, and that this could propel the index towards the 9,400 level.

They added that allegations that the prime minister, Mr Jozef Oleksy, had spied for Moscow might not be hurting sentiment at the moment, but that this could alter if a demand for new elections gained momentum.

ISTANBUL had a volatile session as most investors concentrated on political deliberations surrounding the formation of a new government. The composite index fell 526.77 or 1.1 per cent to 49,167.42, as turnover dipped to TL11,140bn.

ATHENS hit profit taking, this encouraged short selling, and turnover was high as the general index 12.42 lower at 983.88. This followed Monday's high as the new prime minister was sworn in.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Manila at 5-month high as Nikkei continues descent

Tokyo

Afternoon selling of high-technology stocks brought the Nikkei average back towards the 20,000 level, *writes Our Markets Staff.*

Uncertainty over the prospect of parliamentary reaction to the government's scheme to wind up housing loan companies also figured. Futures fell, and the 225-share Nikkei index closed 115.61 down at 20,080.92 after an intra-day low of 20,040.66 and high of 20,363.86.

The Topix index of all first section stocks lost 6.29 at 1,564.10 and the Nikkei 300 shed 1.57 to 292.58. Volume rose from 331m shares to 432m; falls led advances by 611 to 427, with 169 issues unchanged. But in London the ISE/Nikkei 50 index rose 2.78 to 1,374.47.

Institutional selling of high-tech shares, accelerated by stop-loss selling by dealers, followed a series of downgradings by Nomura Research, concerned that dynamic random-access memory (Dram) chip prices could fall.

Nikon was the biggest loser on the first section, down Y80 at Y1,310. Toshiba fell Y22 to Y810, Fujitsu Y40 to Y1,110, Oki Y45 to Y855, Sanyo Y22 to Y605 and NEC Y60 to Y1,250.

Nippon Steel Semiconductor sagged Y270,000 to Y2,560,000 after Nomura's downgrading of chip-related companies, and Kyocera by Y130 to Y7,570 after the broker cut its 1996/97 operating profits forecast from Y142bn to Y137bn.

Banks finished lower after trading higher for most of the day. Bank of Tokyo and Mitsubishi Bank both lost Y30 to Y1,680 and Y2,290 respectively, although Fuji Bank was flat at Y2,240.

Makers of television antennae and tuners climbed on talk of good business prospects when digital satellite broadcasting starts in Japan this spring. Yagi Antenna moved forward Y200 to Y1,510, Yokowo Y70 to Y1,140 and Uniden Y40 to Y2,010. A trader said that there was also talk of exporting equipment to the US, where digital satellite television is proving popular.

Paper shares saw demand, with Japan Paper Industry up Y18 to Y995 in 5.44m shares dealt, and Honshu Paper Y20 better at Y673.

Roundup

Foreign buying helped MANILA advance for the third consecutive session to finish at a five-month high. The composite index added 42.53 or 1.5 per cent at 2,873.68.

Brokers reported foreign interest in selected index heavyweights, apparently prompted by the strength of Wall Street. A number of Philippine stocks, traded in the US, reacted sympathetically to gains there.

HONG KONG saw profits taken after Monday's rise of nearly 2 per cent to a 23-month high. But the Hang Seng index, after a session's low of 10,857.23, recovered to end 1.99 points ahead at 10,957.22. Turnover dipped to HK$7bn from Monday's HK$8.7bn.

Sino Land firmed 50 cents to HK$8.50 on talk of a share placement at HK$8.60 per share. Cheung Kong climbed 75 cents to HK$54.50 on reports that it was about to issue a covered warrant; its associate, Hutchison, gained 70 cents at HK$49.90 as it announced plans for the global flotation in March of its UK-based Orange telecom unit.

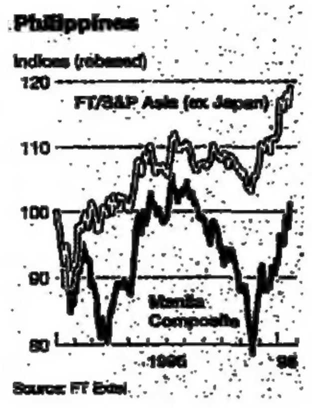
SYDNEY was affected by weakness in base metal prices, worries about half-year corporate earnings reports, which begin to appear next month, and an uncertain political climate. Brokers said that with a federal election due by May, there was already a certain amount of electioneering under way, with some commentators forecasting that Mr Keating, the prime minister, would opt for a March poll date.

The All Ordinaries index lost 14.0 to 2,248.6 in turnover of A$497m. A higher bullion price pushed the gold shares index up 20.2 to 2,163.7 in spite of Placer Pacific's fall of 15 cents to A$3.05.

JAKARTA was subjected to profit-taking in the telecommunications sector but the composite index put on 2.98 at 574.30. Telkom slipped Rp50 to Rp3,375, with some 5.3m shares traded, and Smart, another recently good performer, shed Rp75 to Rp1,700.

Philippines

Indices (rebased)



Source: FT Extel

KUALA LUMPUR mainly attracted interest in second-line issues as the blue chip composite index made 6.95 to 1,071.48.

Second board issues eased during the afternoon as reports circulated of possible trading restrictions. The index lost 11.64 or 2.8 per cent to 397.81, after hitting a 12-month high of 416.76 earlier in the day. Volume was 582m shares.

BOMBAY fell in late trading on reports that some brokers in Calcutta and Ahmedabad were facing payment problems. The BSE-30 index dipped below 2,900, ending 30.08 or 1 per cent off at 2,896.70.

SEOUL rose on bargain hunting, the composite index climbing 8.03 to 850.83 in volume of 22.3m shares.

The financial sector was supported by foreign interest, brokers said. Korea First Bank, which was affected by Woosung Construction's debt default last week, gained Won200 at Won6,550.

KARACHI was helped higher by selective interest in major issues. The KSE-100 index rose 15.16 or 1 per cent to 1,526.12.

SHANGHAI's B index gained 1.5 per cent on speculative buying, but overall trading conditions were dull. The index rose 0.769 to 52.645 in volume of 4.3m shares worth $1.7m.

Dealers suggested that interest would be prompted by the start of the 1995 corporate results season.

The A index put on 3.024 at 534.407 in volume of 51m shares worth Yn236.3m.

TAIPEI weakened moderately, with investor interest generally limited. The weighted index receded 30.75 to 5,008.25 as turnover set a two-month low of T$17.2bn, compared with Monday's T$18.1bn.

The electronics sector was the hardest hit, falling by 1.2 per cent on worries that the industry could slow down this year. Shipping shares encountered profit-taking after recent gains on speculation over direct links with China.

SINGAPORE saw some institutional buying, but the Straits Times Industrial index fell on profit-taking, losing 15.52 to 2,433.00. However, the broader based All Singapore index firmed 1.85 to 589.17.

Brokers said there were clear signs that foreign mutual funds had recently increased their asset allocation for Singapore, as well as for a number of other Asian markets.

Volume amounted to 301m shares as advances outpaced declines by 226 to 116.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 22 1996								FRIDAY JANUARY 19 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (81)	189.65	-0.1	185.60	126.78	145.48	172.42	0.5	3.88	189.65	186.33	126.40	145.98	171.57	198.40	157.95	167.52
Austria (26)	184.09	0.0	180.16	123.06	141.21	141.04	-0.2	1.53	184.01	180.60	122.51	141.43	141.32	199.28	167.48	175.19
Belgium (34)	214.50	-0.1	209.92	143.39	164.54	160.48	-0.2	3.26	214.66	210.70	142.93	165.57	160.78	215.22	166.86	169.37
Brazil (28)	155.55	-0.2	152.23	103.98	119.32	278.96	0.0	1.58	155.88	152.98	103.78	119.88	279.04	160.23	86.06	146.09
Canada (101)	151.90	0.5	148.65	101.54	116.52	150.61	0.8	2.48	151.20	148.39	100.66	116.26	149.38	153.19	121.81	124.46
Denmark (33)	299.60	0.3	293.21	200.28	229.82	232.67	0.1	1.40	298.79	293.25	198.93	229.74	232.45	302.74	246.19	252.71
Finland (24)	176.33	-1.6	172.56	117.87	135.26	167.43	-0.9	1.90	179.26	175.94	119.35	137.84	168.91	278.11	171.13	192.15
France (99)	182.56	-0.3	178.66	122.04	140.04	144.41	-0.4	3.02	183.11	179.71	121.91	140.79	145.00	191.17	157.79	161.34
Germany (60)	167.51	-0.2	163.94	111.98	128.50	128.50	-0.4	1.86	167.79	164.68	111.71	129.01	129.01	189.48	139.77	143.02
Hong Kong (58)	424.96	1.8	415.89	284.08	325.98	421.82	1.8	3.40	417.38	409.62	277.88	320.91	414.25	424.96	277.40	289.59
Ireland (16)	259.49	0.6	253.95	173.47	199.05	232.61	0.3	3.30	258.06	253.28	171.81	198.42	231.99	262.70	204.97	208.45
Italy (59)	75.81	-1.6	74.19	50.68	58.15	89.99	-1.3	1.63	77.04	75.61	51.29	59.24	91.13	82.71	65.45	81.49
Japan (482)	149.95	-1.4	146.74	100.24	115.02	100.24	-1.0	0.78	152.11	149.29	101.27	116.96	101.27	164.82	136.95	147.32
Malaysia (108)	520.80	0.7	509.68	348.15	399.50	512.17	0.8	1.62	517.38	507.79	344.48	397.82	508.31	561.96	399.18	423.75
Mexico (18)	1230.90	2.8	1204.62	822.84	944.21	9857.97	1.5	1.41	1197.43	1175.24	797.21	920.72	9714.31	1237.14	647.81	1083.64
Netherland (19)	274.77	0.1	268.90	183.68	210.77	207.21	-0.1	3.15	274.55	269.46	182.78	211.10	207.39	280.49	217.69	219.50
New Zealand (14)	77.79	0.2	76.13	52.01	59.68	62.13	0.2	4.67	77.61	76.17	51.67	59.68	61.98	85.49	71.22	73.06
Norway (33)	230.06	-0.1	225.16	153.80	176.49	201.69	-0.2	2.07	230.30	226.03	153.33	177.08	202.33	243.79	202.76	209.84
Singapore (44)	437.53	1.8	428.19	292.49	335.63	288.96	1.9	1.40	429.95	421.99	286.25	330.60	291.75	437.53	313.94	333.19
South Africa (45)	432.84	1.7	423.60	289.35	332.03	345.01	1.7	3.41	425.75	417.86	283.45	327.36	339.26	432.84	281.06	301.75
Spain (37)	165.78	-0.1	162.24	110.82	127.16	156.17	-0.2	3.91	165.86	162.79	110.43	127.54	156.53	168.91	124.10	128.73
Sweden (47)	298.05	-2.4	291.69	199.24	228.63	301.29	-0.8	1.99	305.27	299.61	203.24	234.72	303.90	324.31	232.23	238.83
Switzerland (40)	227.20	0.7	222.35	151.88	174.28	167.18	0.1	1.59	225.71	221.53	150.27	173.55	167.01	239.55	182.35	186.92
Thailand (46)	186.79	1.4	182.80	124.87	143.28	183.41	1.4	2.23	184.28	180.87	122.69	141.70	180.96	186.79	130.15	140.45
United Kingdom (208)	228.63	0.5	223.75	152.84	175.38	223.75	0.2	4.15	227.59	223.37	151.52	174.99	223.37	232.23	191.53	193.60
USA (632)	250.03	0.3	244.70	167.14	191.80	250.03	0.3	2.27	249.30	244.68	165.98	191.69	249.30	253.50	180.22	190.22
Americas (778)	228.67	0.3	223.79	152.86	175.41	192.15	0.3	2.26	227.94	223.72	151.76	175.27	191.54	231.16	175.22	175.22
Europe (733)	200.73	0.0	196.45	134.19	153.98	174.39	-0.2	3.01	200.76	197.04	133.66	154.36	174.67	204.32	167.28	169.43
Nordic (137)	268.15	-1.5	262.43	179.26	205.70	234.27	-0.6	1.88	272.32	267.27	181.30	209.39	235.68	285.02	222.22	229.98
Pacific Basin (834)	162.60	-1.0	159.13	108.70	124.73	111.96	-0.8	1.19	164.18	161.14	109.31	126.24	112.64	171.87	145.93	153.72
Euro-Pacific (1567)	178.39	-0.5	174.58	119.25	136.84	135.64	-0.4	2.04	179.32	175.99	119.38	137.88	136.18	183.39	154.73	160.17
North America (733)	243.94	0.3	238.73	163.07	187.12	243.32	0.3	2.28	243.21	238.70	161.92	187.01	242.55	246.93	186.14	186.14
Europe Ex. UK (527)	181.09	-0.3	177.23	121.06	138.92	147.12	-0.3	2.37	181.58	178.22	120.90	139.63	147.53	184.61	148.99	152.57
Pacific Ex. Japan (352)	280.16	1.0	274.18	187.29	214.91	248.28	1.2	2.97	277.34	272.20	184.64	213.25	245.30	280.16	211.19	218.78
World Ex. US (1769)	180.27	-0.4	176.43	120.51	138.29	139.98	-0.3	2.06	181.03	177.68	120.53	139.20	140.39	184.71	156.42	160.69
World Ex. UK (2185)	198.86	-0.2	194.61	132.93	152.54	168.61	-0.1	1.96	199.22	195.53	132.63	153.18	166.74	202.03	163.46	167.04
World Ex. Japan (1909)	230.23	0.3	225.31	153.91	176.61	217.20	0.2	2.59	229.56	225.33	152.85	176.53	216.67	232.30	181.60	182.88
The World Index (2391)	201.48	-0.1	197.18	134.69	154.55	171.68	-0.1	2.16	201.73	197.99	134.30	155.11	171.75	204.65	165.92	169.37

CONSTITUENT CHANGE WITH EFFECT 22/1/96: NAME CHANGE: Pittston Service now Pittston Brink Group. Latest prices were unavailable for this edition.

مكنا من الاصل